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ENCYCLOPEDIA

of

BANKING AND FINANCE

By

GLENN G. MUNN

Fifth Edition

By

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Investment Adviser

Cambridge, Mass.

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PREFACE TO THE FIFTH EDITION

Since its first appearance twenty-five years ago, the ENCYCLOPEDIA OF BANKING AND FINANCE has provided a clear and concise reference work of banking, investment, economic, financial and related legal terms of general and technical interest for financial institutions, business organizations, schools, libraries, teachers, researchers, students, as well as the general public.

In this Fifth Edition, the original plan and design of Mr. Glenn G. Munn have been followed, and the text has been revised or rewritten wherever necessary in order to bring the material up to date to reflect latest developments and changes in these fields. New terms and tabulated data have been added, and the bibliographies have been revised to reflect modern sources.

Every effort has been made to achieve modernity and accuracy, but the reader will appreciate that in such constantly changing and developing fields, there will inevitably occur changes between the date of preparation of the revision and the date of publication. Accordingly, emphasis has been placed on general data not readily subject to change, but specific data where necessary have also been provided as of the date of preparation.

The reviser deeply appreciates the many courtesies extended to him in connection with the preparation of this Edition by Governmental agencies, financial institutions, and business organizations, as well as the valuable suggestions and welcome criticisms made by friends in the banking, investment and legal professions.

F. L. Garcia

October 1, 1949

ABBREVIATIONS

@ . . . . . At
A . . . . . Class A bonds and stocks
A1 . . . . . Highest class; best grade; gilt edged
A&F . . . . . Semi-annual payments of interest in August and February
A & F 15 . . . . . Interest payable on August 15 and February 15; likewise for other combinations, e. g., A & O, J & J, etc.
A&O . . . . . Semi-annual payments of interest in April and October
A. C. . . . . Assistant Cashier
A/c . . . . . Account
Acc. . . . . Accept, accepted
Accrd. Int. . . . . Accrued Interest
Acct. . . . . Account, accountant
Ack. . . . . Acknowledge, acknowledgment
Acpt. . . . . Acceptance
A/cs Pay. . . . . Accounts Payable
A/cs Rec. . . . . Accounts Receivable
a/d . . . . . After date
Adj. . . . . Adjustment
Admstr. . . . . Administrator
Ad Val. . . . . Ad Valorem
Adv. . . . . Advise, advice
Agt. . . . . Agent
Agy. . . . . Agency
A. J. O. J. . . . . Quarterly payments of interest or dividends in April, July, October and January
A. N. F. M. . . . . Quarterly payments of interest or dividends in August, November, February and May
Ann. . . . . Annual, annuity
A/P Authority to purchase, authority to pay
Assmnt. . . . . Assessment
Asst. Cash . . . . . Assistant Cashier
Astd. . . . . Assented
Atchd. . . . . Attached
Atty. . . . . Attorney
Aud. . . . . Auditor, Audit
Avg. . . . . Average

B . . . . . Class B bonds or stocks
B . . . . . Belga in Belgium, Boliviano in Bolivia, Bolboa in Panama, Baht in Siam, Bolivar in Venezuela
Bal. . . . . Balance
B. & L. Assn. . . . . Building and Loan Association
B/D . . . . . Bills discounted
Bd. . . . . Bond, Board
B/E . . . . . Bill of Exchange
Bel. Fcs. . . . . Belgian Francs
Bk. . . . . Bank
Bkg. . . . . Banking
B/L . . . . . Bill of Lading
B/L Atchd. . . . . Bill of Lading attached
Bol. . . . . Boliviano in Bolivia, Bolivar in Venezuela
B/P . . . . . Bills Payable
B/R . . . . . Bills Receivable
Bt. . . . . Bought
B. S. . . . . Bill of sale, balance sheet
B/V . . . . . Book value

¢ . . . . . Cent in U. S. and Canada
C . . . . . Class C bonds and stocks
C. A. . . . . Current assets, Chartered Accountant
Cab. . . . . Cables
C. A. D. . . . . Cash against documents
C. A. F. . . . . Cost, assurance, freight
Can. . . . . Cancel
C. & F. . . . . Cost and freight
C. & I. . . . . Cost and insurance
Cap. . . . . Capital, Capitalization
Cash. . . . . Cashier
C/B . . . . . Cash book
C. B. D. . . . . Cash before delivery
C. C. . . . . Cashier's check, contra credit
C/D . . . . . Certificate of deposit
C. D. . . . . Cash Discount
Cert. . . . . Certification
C. H. . . . . Clearing House
Chgs. . . . . Charges
Chq. . . . . Cheque
C. I. F. . . . . Cost, insurance and freight
C. I. F. & C. . . . . Cost, insurance, freight and commissions (or charges)
Ck. . . . . Check
C. L. . . . . Current liabilities, Car load lots
C/L . . . . . Cash letter
C. O. D. . . . . Cash (or collect)on delivery
Coll. . . . . Collateral, collection
Coll/L . . . . . Collection Letter
Coll. Tr. . . . . Collateral Trust
Com. . . . . Common, Commerce
Com'l. Ppr. . . . . Commercial paper
Comm. . . . . Commission
Comp. . . . . Compound, composite
Comp't. . . . . Comptroller
Con. cr. . . . . Contra credit
Cons. . . . . Consolidated
Constr. . . . . Construction
Contra. . . . . Against
Conv. . . . . Convertible
Corp. . . . . Corporation, corporate
Cor. . . . . Corpus, correspondent
C. P. A. . . . . Certified Public Accountant
Cps. . . . . Coupons
Cr. . . . . Credit, creditor
C. S. . . . . Capital Stock
C/T . . . . . Cable Transfer
Ctfs. . . . . Certificates
Cts. . . . . Cents, centimes
Cum. . . . . Cumulative
Curr. . . . . Current, currency
Cvt. . . . . Convertible, convert
Cy. . . . . Currency

D . . . . . Days, delivery, discount, dollar
d . . . . . Pence
D/A . . . . . Documents against acceptance

D/atchd . . . . . Draft attached
D. & J. . . . . Semi-annual payments of interest or dividends in December and June
D. D. . . . . Deferred Delivery
D/D . . . . . Days after date, Demand draft
Deb. . . . . Debenture
Def. . . . . Deficit, deferred, definitive
Dem. . . . . Demand, demurrage
Denom. . . . . Denomination
Dep. . . . . Deposit, depositary
Dir. . . . . Director
Disc. . . . . Discount
Div. . . . . Dividend, divisional
D/L . . . . . Demand Loan
Dls. . . . . Dollars
D. M. J. S. . . . . Quarterly payments of interest or dividends in December, March, June and September
Dom. Ex. . . . . Domestic Exchange
D/P. . . . . Documents against payment
Dr. . . . . Debit, debtor, Drachma in Greece
D/S . . . . . Days after sight

E. & O. E. . . . . Errors and omissions excepted
E. E. . . . . Errors Excepted
Encl. . . . . Enclosure
End. . . . . Endorsement
End. Guar. . . . . Endorsement guaranteed
E. O. M. . . . . End of month
E. P. T. . . . . Excess profits tax
Eq. Tr. . . . . Equipment trust
Est. . . . . Estimated
Ex. . . . . Without
Exch. . . . . Exchange, Exchequer
Exctr. . . . . Executor
Ex D . . . . . Ex dividend, i. e., without dividend
Ex Div. . . . . Ex dividend
Exmr. . . . . Examiner
Exp. . . . . Expense, express, export
Ex R . . . . . Ex Rights
Extd. . . . . Extended

F. . . . . Flat, folio, Franc, Florin
F. & A. . . . . Semi-annual payments of interest or dividends in February and August
F. & F. . . . . Furniture and Fixtures
F. A. S. . . . . Free alongside ship
Fcs. . . . . Francs
Fd. . . . . Fund
Fdg. . . . . Funding
Fid. . . . . Fidelity, fiduciary
Fin. . . . . Finance, financial
Flt. . . . . Flat
F. M. A. N. . . . . Quarterly payments of interest or dividends in February, May, August and November
F. O. B. . . . . Free on board
Fol. . . . . Folio, following
F. O. R. . . . . Free on rails
Forg. . . . . Forgery
F. P. A. . . . . Free of particular average
Fr. . . . . Franc
F. R. B. . . . . Federal Reserve Bank

Frt. . . . . Freight
F. X. . . . . Foreign Exchange

G. A. . . . . General average
G. D. . . . . Good Delivery
Gen. Led. . . . . General Ledger
Gen. Mtge. . . . . General Mortgage
Govt. . . . . Government
G. T. C. . . . . Good till cancelled
Gtd. . . . . Guaranteed
Guar. . . . . Guarantee

H. O. . . . . Head Office, Home Office
Hon'd . . . . . Honored

Ident. . . . . Identification
Indent. . . . . Indenture
Imp. . . . . Imports, Improvement
Inc. . . . . Income, Incorporated
Ind. Led . . . . . Individual Ledger
Indm. . . . . Indemnity
Ins. . . . . Insurance
Inst. . . . . Instant (of the present month), installment, instrument
Int. . . . . Interest
Intermed. . . . . Intermediate
Intl. . . . . International
Inv. . . . . Invoice
I. O. U. . . . . I Owe You
Irred. . . . . Irredeemable

J/A. . . . . Joint account
J. A. J. O. . . . . Quarterly payments of interest or dividends in January, April July and October
J. & D. . . . . Semi-annual payments of interest or dividends in June & December
J. & J. . . . . Semi-annual payments of interest or dividends in January and July
J. O. J. A. . . . . Quarterly payments of interest or dividends in July, October, January and April
Jour. . . . . Journal
Jr. . . . . Junior
J. S. D. M. . . . . Quarterly payments of interest or dividends in June, September, December and March

K . . . . . Koruna in Czechoslavakia, Krone in Denmark, Kroon in Estonia, Krone in Norway, Krona in Sweden
K. d. . . . . Knocked down
K. d. l. c. l. . . . . Knocked down in less than carload lots

£ . . . . . Pound Sterling in the British Empire
E, £T . . . . . Pound in Egypt, Turkey
s. d. . . . . Pounds, Shillings, Pence
L . . . . . Lira in Italy, Lev in Bulgaria, Lempira in Honduras, Lat in Latvia, Litas in Lithuania,

L. . . . . Leu in Rumania
L. & D. . . . . Loans and Discounts, loss and damage
L/C . . . . . Letter of Credit
L. C. L. . . . . Less than car load lots
Ld. Gt. . . . . Land Grant
Led. . . . . Ledger
L. F. . . . . Ledger Folio
Lir. . . . . Italian Lira
Lshld. . . . . Leasehold
Ltd. . . . . Limited
Ltr. . . . . Letter

M. . . . . Markka in Finland, Mill, Month, Thousand
M. & N. . . . . Semi-annual payments of interest or dividends in May and November
M. & S. . . . . Semi-annual payments of interest or dividends in March and September
M. A. N. F. . . . . Quarterly payments of interest or dividends in May, August, November and February
Mat. . . . . Maturity
Mdse. . . . . Merchandise
Mfst. . . . . Manifest
M. J. S. D. . . . . Quarterly payments of interest or dividends in March, June, September and December
Mk. . . . . Marks
Mkt. . . . . Market
M. O. . . . . Money Order
Mos. . . . . Months
M/P . . . . . Mail payment
Mtge. . . . . Mortgage
Mun. . . . . Municipal

N. & M. . . . . Semi-annual payments of interest or dividends in November and May
Natl. . . . . National
Neg. Inst. . . . . Negotiable instrument
N. F. . . . . No funds
N. G. . . . . Not good
No. . . . . Number
No a/c . . . . . No account
No Adv. . . . . No advice
Non-cum. . . . . Non-cumulative
N. O. S. . . . . Not otherwise stated
Not. Pub. . . . . Notary Public
N/P . . . . . Notes Payable
N. P. . . . . No Protest
N. P. N. A. . . . . No protest non-acceptance
N/R . . . . . Notes Receivable
N. S. F. . . . . Not sufficient funds

O. & A. . . . . Semi-annual payment of interest or dividends in October and April
O. B. . . . . Ordered back
O. D. . . . . Overdrawn or overdraft
O/D . . . . . On demand
O. J. A. J. . . . . Quarterly payments of interest or dividends in October, January, April and July
O. K. . . . . Correct
Opt. . . . . Option, optional
Ord. . . . . Ordinary, Order
Outstdg. . . . . Outstanding

P. . . . . Peseta, Peso
P/A . . . . . Power of Attorney
P. & C. . . . . Puts and calls
P. & L. . . . . Profit and loss
Part. . . . . Participating
Payt. . . . . Payment
P. c. . . . . Per cent, petty cash
Per cap. . . . . Per capita
Per Pro. . . . . Per Procuration
Perp. . . . . Perpetual
Pf. or Pfd. . . . . Preferred
Pi. . . . . Piaster (Indo-China, Turkey)
P. O. R. . . . . Payable on receipt
Pr. Ln. . . . . Prior Lien
Prem. . . . . Premium
Pres. . . . . President
Pro. . . . . Protest
Pt. Pd. . . . . Part paid
Ptas. . . . . Pesetas (Spain)
P. V. . . . . Par value

Q . . . . . Quarterly, Quetzal in Guatemala
Quar., Qtr. . . . . Quarter

R . . . . . Rupee in India, Rial in Iran, Ruble in Russia
R. E. . . . . Real Estate
Re. . . . . Rupee in India
Rec. . . . . Receipt
Recap. . . . . Recapitulation
Redisc. . . . . Rediscount
Ref. . . . . Refunding, referee
Reg. . . . . Registered, registrar, regular
Rem. . . . . Remittance
Res. . . . . Reserve
Rfg. . . . . Refunding
Rms. . . . . Reichsmarks.
R. O. G. . . . . Receipt of goods
R. R. . . . . Railroad
Rts. . . . . Rights
Ry. . . . . Railway

$ . . . . . Dollar, Peso, Milreis (in expressing sums in Milreis, the $ sign is used practically as a period, e. g., 100 Milreis and 225 Reis is written: 100$225)
S. . . . . Sold, Sol in Peru, Sucre in Ecuador, Schilling in Austria
s . . . . . Shillings in British Empire
S. 7 . . . . . Seller's delivery in seven days (N. Y. Stock Exchange)
S. A. . . . . Semi-annual
S & L. Assn. . . . . Savings and Loan Association
S. & M. . . . . Semi-annual payments of interest or dividends in September and March

S/D . . . . . Sight draft
S. D. Co. . . . . Safe Deposit Company
S. D. M. J. . . . . Quarterly payments of interest or dividends in September, December, March and June.
SEC . . . . . Securities and Exchange Commission
Sec. . . . . Security, secured
Ser. . . . . Series, serial
S. F. . . . . Sinking fund
Shs. . . . . Shares
Sig. . . . . Signature
Sig. Mis. . . . . Signature Missing
Sig. Unk . . . . . Signature Unknown
Sld. . . . . Sold
S. P. . . . . Stop payment
S. S. . . . . Steamship
Stg. . . . . Sterling
Stk. . . . . Stock
Stk. Exch. . . . . Stock Exchange
Stpd. . . . . Stamped
Substn. . . . . Substitution
Sur. . . . . Surplus
S. W. . . . . Sent wrong
Swiss Fcs. . . . . Swiss Francs

T/D . . . . . Time Deposit
Temp. Ctfs. . . . . Temporary Certificates
Term. . . . . Terminal
Trf. . . . . Transfer
T/L . . . . . Time Loan
Tls. . . . . Taels in China
T/R . . . . . Trust Receipt
Tr. Co. . . . . Trust Company
Treas. . . . . Treasurer, Treasury
T. T. . . . . Telegraphic transfer
Tx. . . . . Taxes

U. K. . . . . United Kingdom
Ult. . . . . Last
U. & O. . . . . Use and occupancy

V. P. . . . . Vice-President
V. T. C. . . . . Voting Trust Certificates
Vtg. . . . . Voting

Warr. . . . . Warrants
W. I. . . . . When issued
W. N. P. . . . . Wire non-payment
W. P. . . . . Wire payment
W. P. or N. P. . . . . Wire payment or non-payment
W. P. A. . . . . With particular average
W/R . . . . . Warehouse Receipt

X . . . . . No protest
X-C . . . . . Ex Coupon
X-D . . . . . Ex Dividend
X-I . . . . . Ex Interest
X-rts. . . . . Ex Rights
X-Warr. . . . . Ex Warrants

A B C PLAN

In the field of automobile loans by banks, a service developed by the American Installment Credit Corporation, of particular appeal to banks having neither the experience nor facilities for handling this type of paper. The service provides for the installation of operating techniques, forms, systems and rate charts, together with automobile factory contacts and a field supervisory staff, etc. On the resulting paper, the bank is paid a slightly lower rate, to cover the cost of the advantages provided, insurance coverage, and provisions for the automobile dealer "reserves" (allowances).

ABOVE PAR

A price quoted above the face value of a security. (see Par.)

ABRASION

The loss of weight in coins occasioned by friction, i. e., ordinary wear and tear of circulation, as distinguished from loss of weight due to mutilation, debasement, clipping or sweating. Abrasion is of no importance in the case of subsidiary silver and minor coins because they are purposely short in weight, i. e., overvalued, and loss of weight does not affect their value. In the case of gold coins, however, there is a limit to the reduction from the prescribed mint weight, called tolerance, beyond which their money (legal tender) value is measured by weight and not be denomination or face value. (See Debasement, Light Coin, Light Gold, Mutilated Currency, Sweating, Tolerance.)

ABSOLUTE INDORSEMENT

See Indorsement.

ABSOLUTE TITLE

Unqualified ownership of personal property or ownership of land in fee simple. Such a title confers on the owner and his heirs, representatives and assigns absolute right to the property in perpetuity. (See Title.)

ABSORB

When buying orders are in sufficient volume to counterbalance selling orders without a substantial change in prices, the stock or other market is said to absorb or assimilate offerings, e. g., "the market encountered selling in the last hour but absorbed all offerings without appreciable price changes."

ABSORPTION POINT

The saturation point; the point at which a market refused to accept greater offerings without price concessions. (See Absorb, Digested Securities.)

ABSTRACTION OF BANK FUNDS

The Revised Statutes of the United States make the willful abstraction, embezzlement or misapplication of the funds of the Federal Reserve banks or of member banks by its officers, directors or employees a misdemeanor, punishable upon conviction by a fine of not to exceed $5,000, or imprisonment for five years, or both. The willful making of false entries or the unauthorized issue of circulating notes, certificates of de-

posit, drafts, bills of exchange, bonds or mortgages is included under this title. (See Embezzlement.)

ABSTRACT OF TITLE

A document usually prepared by an attorney or conveyancer to trace the history of the ownership of real property to establish the present title. The purchaser of, or lender on, real property usually has the right to require an abstract, tracing the title back to the earliest grant. The history of a title shows how it was originally acquired and all successive changes of ownership as well as all outstanding mortgages, restrictions and incumbrances upon it, and trusts, if any, affecting it.

The abstract of title is a separate document from the title deed, which is evidence of ownership of real property. The validity of the title deed may be guaranteed by a title insurance company which undertakes to indemnify the purchaser against any loss that may arise through defects in the title. (See Deed, Title Deed, Title Insurance, Title Insurance Company.)

ACCELERATION CLAUSE

A clause providing for quickening or advancing date of payment of entire balance due because of breach of some specified condition, such as default in payment of interest or installment of principal when due, insolvency of the debtor, failure to keep mortgaged premises insured, etc.

ACCEPTANCE

This term has three meanings:

(1) One of the essential conditions to a contract in order to be legally binding between parties. Offer and acceptance to a contract are essential to its validity. (See Contract.)

(2) As applied to a time draft or bill of exchange, acceptance means to honor it, i. e., to signify intention to pay it at maturity by the drawee. It is the signification by the drawee of his assent to the order of the drawer. Acceptance consists of writing the word "Accepted," across the face of the instrument, indicating the date, bank where payable, with the signature of the drawee thereunder. Thus, an acceptance is a time draft that has been honored or "accepted" by the party on whom it is drawn. After acceptance, a draft or bill has the same status in law as a promissory note. The acceptor becomes the maker and the drawer becomes the indorser. (See Draft, Negotiable Instruments Law.)

(3) Although, technically, acceptance consists of the act of accepting a time draft or bill of exchange by the drawee, the term is more commonly used to designate the accepted bill itself. Acceptances are of two classes, trade and bankers. (See Bank Acceptance, Draft, Trade Acceptance.)

ACCEPTANCE CORPORATION

See Discount Corporation.

ACCEPTANCE CREDIT

One means of financing import and export (also domestic) transactions is by arranging an acceptance credit with a bank. Commercial banks, including foreign banking corporations organized under the various state laws and Edge Act, are authorized to engage in the acceptance business under the regulations of the Federal Reserve Board.

In an acceptance credit a bank substitutes its credit for that of its customer. Since a bank is better known than an individual, its acceptances enjoy a readier market and lower discount rate than a trade acceptance. It is the highest-grade commercial paper.

The first step in arranging an acceptance is to obtain a Letter of Credit from the issuing bank. Acceptance Credit is the sum which may be drawn under the letter of credit, and bills drawn under the letter of credit, when accepted by the bank, become acceptances. To illustrate the operation of an acceptance credit an example is given: Suppose concern "A" in New York sells merchandise to concern "B" in London. After the letter of credit has been granted, concern "A" will draw two drafts when the shipment to concern "B" is made. The first is upon concern "B", say at 30 or 60 days' sight, to which an ocean bill of lading and other usual shipping documents are attached. The second is drawn on and accepted by the bank from which the letter of credit was secured. Once accepted, the drawer may hold it until maturity, or if in need of cash may discount it at the accepting bank, or elsewhere. The first draft with documents attached, serving as the bank's security, are forwarded to London, addressed to a correspondent or collecting bank for collection. Funds in New York dollars are remitted by draft upon maturity of the acceptance by the London correspondent which collects the proceeds. It will be seen that neither the bank nor the customer puts up any cash unless the customer wishes to have the acceptance discounted. The bank usually charges a commission for accepting bills from one-eighth per cent. to one-quarter per cent., depending upon the amount involved and upon the location of the drawee.

In opening an acceptance credit with a bank, the customer must fill out the following forms—application for acceptance credit, indemnity against all losses which the bank may incur and preparation of shipping documents in accordance with the letter of credit. (See Bank Acceptance, Letters of Credit, Limitations on Acceptance Credits.)

ACCEPTANCE FOR HONOR

A term to denote the acceptance of a draft or bill of exchange by another party when acceptance has been refused by the drawee, and protest for non-acceptance has been made. When the drawee refuses to accept a bill, or to pay it when due, any party may accept or pay it in order to save the honor of the drawer, or of an indorser, by declaring before the notary public who protested it, that he accepts (or pays) the bill for honor, and for whose honor. The notary should indicate for whose honor the instrument is accepted or paid. Acceptance for honor is also called acceptance supra protest. (See Uniform Negotiable Instruments Law, Art. V.; New York Negotiable Instruments Law, Art. XIV.)

ACCEPTANCE HOUSES

See Discount Corporation.

ACCEPTANCE LIABILITY

The total liability which a bank assumes in accepting bills drawn on it by its customers in the financing of export, import and domestic transactions. Although banks accept bills drawn by high-class and well-known risks, they are required to keep a record of the aggre-

gate of the liability created by such acceptances in an account entitled, "Liability on Account of Acceptances." This account is offset by a corresponding asset entitled, "Customers' Liability on Account of Acceptances." If the customers fail to deposit funds to meet the drafts at maturity, the bank has recourse against them. (See Acceptance Credit, Acceptance Line, Letters of Credit, Limitations on Acceptance Credits.)

ACCEPTANCE LIABILITY LEDGER

A ledger in which full particulars of bills accepted for each customer are entered under an account bearing his name. The particulars are usually as follows: name and address of customer (drawer), line, date, letter of credit number, acceptance number, expiry date, amount of bill, total amount accepted or expired, and date of payment.

ACCEPTANCE LINE

The maximum limit in dollars which a bank commits itself to accept for a single customer. This limit is usually fixed by the credit officers of the bank, acting upon recommendation of the manager of the foreign department, in the case of acceptances arising out of import and export transactions. The acceptance line cannot exceed the legal limitation. (See Limitations on Acceptance Credits.)

ACCEPTANCE MATURITY TICKLER

A record in which acceptances are journalized according to maturity dates in order that the amount of daily maturities can be determined at a glance. A single page is usually devoted to the maturities for each date. (See Tickler.)

ACCEPTANCE REGISTER

A journal in which full particulars of all bills accepted by the bank for its customers are chronologically recorded. These particulars are usually as follows: date of acceptance, bank's acceptance number, name of officer sanctioning, signature of officer signing, customer's number of bill, date, tenor, maturity, drawee, payee, for account of, list of documents received, whether original or duplicates attached, number, and date of credit.

ACCEPTOR

See Acceptance, Draft.

ACCESSION

In law, the doctrine that the owner of property is entitled to all that is added or united to it, either naturally or by the labor or materials of another. Not to be confused with Accretion (q. v.).

ACCOMODATION

To be supplied with funds when application is made to a bank. "Brokers had little difficulty in finding accommodation for their needs."

ACCOMMODATION BILL OF LADING

One issued by a railroad company before goods are received by it for shipment. This is a dangerous practice since the instrument may be used as a basis of credit. Under the Uniform and the Federal Bill of Lading Acts, the carrier is liable to a party who has made advances in good faith and in reliance on the order bill of lading. But in the absence of these Statutes, courts generally hold there is no implied authority in the railroad agent to issue bills of lading for merchandise not actually received, so that the railroad is held to be not liable, according to principles of agency.

ACCOMMODATION INDORSEMENT

See Accommodation Paper.

ACCOMMODATION INDORSER

See Accommodation Paper.

ACCOMMODATION NOTE

See Accommodation Paper.

ACCOMMODATION PAPER

A note or bill signed by a party as maker, indorser or acceptor "to accomodate" another whose credit is not strong enough to enable him to borrow on his single name. The accommodation party receives no consideration, except in some cases a commission for lending his credit. The position of the accommodation party is that of a surety or guarantor. Although he does not expect to be called upon to pay the note or bill at maturity and has no obligation to the person accommodated, he is liable to any other holder for value without notice and can be compelled to meet the instrument in full. If there are prior indorsers, however, he has recourse against them.

Courts generally hold that a corporation is not liable as an accommodation to a party on notice, on the grounds that such obligations are based on no consideration, and that the power to make or indorse accommodation paper in not a corporate power conferred by the State, either expressly or impliedly. Similarly, a bank cannot be an accommodation indorser, although banks making acceptances authorized by Sec. 13 of the Federal Reserve Act or similar State statutes are construed to be accommodation acceptors.

ACCOMMODATION PARTY

One who signs a note or bill as maker, drawer, acceptor or indorser, without receiving value thereof, but fully liable, nevertheless, for the purpose of lending his credit to another. (See Accommodation Paper.)

ACCOUNT

A record of financial transaction usually involving debts or credits, or both; an account with a bank or broker means funds deposited as a basis of financial transactions against which checks may be drawn or orders to buy or sell securities may be made.

ACCOUNT ANALYSIS

See Analysis Department, Bank Cost-Accounting.

ACCOUNT AND RISK

All transactions between broker and customer are at the risk of the customer, who is the principal. Statements confirming the execution of buying and selling

orders issued by a broker are stamped, "For the account and risk of _____," the customer.

ACCOUNTANT

See Auditor, Certified Public Account.

ACCOUNT DAY

One of the settlement days on the London Stock Exchange where settlements are made twice a month. The settlement lasts three days, and the account day, also known as pay-day, is the third and last of the settlement, on which delivery and payment are made for the transactions of the preceding half month. (See Settlement Days.)

ACCOUNTING

The organized, systematic recording of all transactions having any bearing on the financial status of a business enterprise. The modern concept of the functions of accounting goes beyond this mechanical function, which is left to the bookkeeper, and according to H. C. Greer, are four in number--financial, historical, analytical and protective. The accounting system must be such as to maintain a correct picture of the financial position of the enterprise; an accurate history of its operations and their results; an informative analysis of the meaning of these results, and their relation to the past, present and future financial position; and an adequate array of safeguards against fraud, error and waste. (See Audit, Bank Bookkeeping, Bank Cost accounting, Certified Public Accountant.)

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ACCOUNT SALES

A statement submitted by a consignee, broker, or other commission merchant or agent, showing the proceeds of the sale of goods or securities sold for the account of the owner. This statement shows full particulars, viz., selling price, expenses incurred, such as freight, warehousing, insurance, etc., commission, and finally the net proceeds due to the owner.

ACCOUNTS CURRENT

Same as Statement of Account (q. v.).

ACCOUNTS PAYABLE

Accounts due to creditors as shown by the books of a business, but not evidenced by notes, drafts or acceptances; aggregate sum due to trade creditors; a controlling account in the general ledger to indicate the total of balances due to creditors on open accounts, as shown by the subsidiary (Accounts Payable, Purchases or Creditors) ledgers.

ACCOUNTS RECEIVABLE

Accounts due from customers as shown by the books of a business, but not evidenced by notes, drafts or acceptances; aggregate sum due from trade debtors; a controlling account in the general ledger to indicate the total of balances due from customers on open accounts as shown by the subsidiary (Accounts Receivable, Sales or Customers) ledgers.

ACCOUNT TURNOVER

In analyzing statements as a basis for measuring credit risks, it is important to ascertain how fast the accounts are being turned over, i. e., whether the terms of credit of the concern are being fulfilled as shown by collections. The account turnover is also known among credit men as the Sales to Receivables ratio. It is determined by dividing the annual sales by the average amount of accounts receivable standing on the books at any given time. What the account turnover should be depends upon the terms of credit offered by the concern under analysis. Where sales are fairly constant from month to month, and the terms of credit 30 days net, in an ideal case, the account turnover should be 12—1, meaning that the accounts should be turned over 12 times a year. Sales in any month should be paid in the next succeeding month, i. e., the collections of any one month should equal the sales of the next preceding month. Consequently, the accounts receivable outstanding one month would be one-twelfth of the total sales for the year. If this ratio were twenty to one, it would be evident that the terms of credit were being anticipated and advantage taken of discounts offered, arguing for a favorable condition. If collection lags behind sales, as shown by a ratio of nine to one, one or all of five conclusions might be drawn:

(1) The credit department has overextended credit and allowed customers to over-commit themselves.

(2) A poorer class of customers, who have been unable to pay their bills promptly, has been accommodated.

(3) The credit department has been lax in enforcing collection.

(4) External conditions are becoming abnormal—that money is tight and everybody is experiencing difficulty in paying promptly.

(5) It may show a favorable condition, for example, that sales are expanding and collections have not yet caught up. (See Credit Barometrics, Statement Analysis.)

ACCRA

One of the three standard growths of cocoa. (See New York Cocoa Exchange.)

ACCRUED DIVIDEND

Regular dividends assumed to be earned, but not yet declared or due or payable. A dividend on stock does not accrue like interest on bonds. Dividends are uncertain and do not become payable until and unless earned and declared, whereas interest is an obligation which must be met, whether covered by earnings or not. While it may be illogical to assume dividends to accrue upon common stock, since the rate is contingent upon earnings, dividends upon preferred stock may more logically be assumed to accrue because they are more certain and the rate is fixed.

On organized stock exchanges stocks are not sold with accrued dividends; instead, prices at which stocks are quoted and traded are inclusive of any dividend which may be or has been declared, until the ex-divi-

dend date. Sales of stock "with accrued dividends" occur only in special cases by agreement, and then only where the stock is guaranteed, or in preferred issues where the dividend is known to be both certain and fixed. (See Dividend, Ex-dividend.)

ACCRUED INTEREST

Interest earned, but not yet due and payable. Interest accrues on all promissory notes, commercial paper, and fixed-interest bonds. On the stock exchanges of the United States, unless otherwise specified, bonds are quoted and traded at a net price, i. e., a price exclusive of accrued interest. The purchase price is for the principal amount alone, to which must be added interest at the coupon rate from the last coupon date to the date of delivery.

Bond interest is customarily paid every half year, e. g., March 1 and September 1. If, for example a $1,000 4 per cent. bond is purchased at 85 on April 15, and the semi-annual interest dates are March 1 and September 1, it would cost the buyer $850 in principal amount and $5.00 accrued interest (1 month and 15 days' interest, the interval between March 1 and April 15), a total of $855. On September 1, the holder would collect the semi-annual coupon of $20, this representing the $5.00 which was advanced as the accrued interest at the time the bond was purchased and delivered, and $15.00 interest which had accrued between April 15 and September 1.

If specified, bonds may be sold "flat," meaning that the quoted or agreed price includes any interest which may have accrued since the last coupon date. Income bonds and most adjustment bonds sell "flat." just as stocks. In England, the regular method of trading in bonds is "flat".

For convenience, bank and brokerage clerks use interest tables in calculating accrued interest. The table on this page shows the interest on $1,000 from 1 day to 6 months, at from 3 1/2 to 7 per cent. By using multiples or fractions, interest on practically any sum for any period can be computed for these proceedings by reference to table on this page. (See Flat.)

Interest on $1.000 from 1 Day to 6 Months.

Day	3½%	4%	4½%	5%	6%	7%
1	$0.0972	$0.1111	$0.125	$0.1389	$0.1667	$0.1944
2	0.1944	0.2222	0.250	0.2778	0.3333	0.3889
3	0.2916	0.3333	0.375	0.4167	0.5000	0.5833
4	0.3889	0.4444	0.500	0.5556	0.6667	0.7778
5	0.4861	0.5555	0.625	0.6944	0.8333	0.9722
6	0.5833	0.6667	0.750	0.8333	1.0000	1.1667
7	0.6805	0.7778	0.875	0.9722	1.1667	1.3611
8	0.7778	0.8889	1.000	1.1111	1.3333	1.5555
9	0.8750	1.0000	1.125	1.2500	1.5000	1.7500
10	0.9722	1.1111	1.250	1.3889	1.6667	1.9444
11	1.0694	1.2222	1.375	1.5278	1.8333	2.1389
12	1.1667	1.3333	1.500	1.6667	2.0000	2.3333
13	1.2639	1.4444	1.625	1.8055	2.1667	2.5278
14	1.3611	1.5555	1.750	1.9444	2.3333	2.7222
15	1.4583	1.6667	1.875	2.0833	2.5000	2.9167
16	1.5555	1.7778	2.000	2.2222	2.6667	3.1111
17	1.6528	1.8889	2.125	2.3611	2.8333	3.3055
18	1.7500	2.0000	2.250	2.5000	3.0000	3.5000
19	1.8472	2.1111	2.375	2.6389	3.1667	3.6944
20	1.9444	2.2222	2.500	2.7778	3.3333	3.8889
21	2.0417	2.3333	2.625	2.9167	3.5000	4.0833
22	2.1389	2.4444	2.750	3.0555	3.6667	4.2778
23	2.2361	2.5555	2.875	3.1944	3.8333	4.4722
24	2.3333	2.6667	3.000	3.3333	4.0000	4.6667
25	2.4305	2.7778	3.125	3.4722	4.1667	4.8611
26	2.5278	2.8889	3.250	3.6111	4.3333	5.0555
27	2.6250	3.0000	3.375	3.7500	4.5000	5.2500
28	2.7222	3.1111	3.500	3.8889	4.6667	5.4444
29	2.8194	3.2222	3.625	4.0278	4.8333	5.6389
30	2.9167	3.3333	3.750	4.1667	5.0000	5.8333
1 Month	2.9167	3.3333	3.750	4.1667	5.0000	5.8333
2 Months	5.8333	6.6667	7.500	8.3333	10.0000	11.6667
3 Months	8.7500	10.0000	11.250	12.5000	15.0000	17.5000
4 Months	11.6667	13.3333	15.000	16.6667	20.0000	23.3333
5 Months	14.5833	16.6667	18.750	20.8333	25.0000	29.1667

ACCRUED INTEREST PAYABLE

An account in the general ledger of a bank representing the interest owing to depositors upon their balances. It may also include interest on advances from a Federal Reserve bank. The amount of this item may be ascertained daily or monthly and is determined approximately by multiplying the aggregate of interest-bearing balances by the average rate.

ACCRUED INTEREST RECEIVABLE

An account in the general ledger of a bank representing interest accrued upon loans and investments, but not yet collectible. It may be accrued upon the daily or monthly basis and determined, approximately, by multiplying the aggregate of loans and investments by the average rate.

ACCUMULATION

This term has two meanings:

(1) The opposite of Amortization (q. v.).

(2) The quiet purchase of securities in a dull market by private investors, speculators or financial interests when prices have declined to a point below the value represented by underlying assets, potential earning power and current interest or dividends. Such buying is undertaken not for the purpose of supporting the market but for profit in the belief that the business outlook warrants higher prices. Accumulation usually implies the purchase of securities by powerful and well-informed interests during a Campaign (q. v.).

With reference to the speculative cycle, the period of accumulation begins at the conclusion of a bear market, when average prices are at a low level, and lasts until prices have risen high enough to induce distribution. (See Banking Support, Speculative Cycle.)

ACCUMULATIVE

Same as Cumulative. (See Cumulative Dividends, Preferred Stock.)

ACCUMULATIVE DIVIDENDS

Same as Cumulative Dividends. (See Cumulative Dividends, Preferred Stock.)

ACHMOUNI

A type of Egyptian cotton. (See Cotton.)

ACID TEST

An expression used among bank credit men in statement analysis work to indicate the ratio of cash and trade receivables to current liabilities. Like the Current Ratio (q. v.), it is another means of testing the current position, or degree of financial solvency of a concern. The acid test eliminates merchandise as a part of the working funds, and compares the total of cash, trade receivables, and high-grade marketable securities with the current liabilities. Thus, it is the ratio of current assets, less merchandise, to current liabilities. The receivables are subject to reduction for reserve for bad accounts, and are to include only trade items. Wherever this ratio is two for one or better, an extremely favorable position is disclosed.

ACKNOWLEDGMENT

A declaration, admission or certificate taken before a notary or other attesting officer, stating that the maker of an instrument or document has appeared before him and subscribed it as a voluntary act without duress.

ACQUITTANCE

A written document which releases a person from paying a debt or performing a contractual or other obligation.

ACTION

The French term for share of stock.

ACTIVE ACCOUNT

Bank—An account in which deposits and withdrawals are frequently made. The expense of handling an account varies directly with its activity, because of the cost of stationery, clerical aid and the use of the bank's space and equipment. An active account should maintain larger daily balances than an inactive one. (See Analysis Department, Bank Cost-Accounting.)

Broker—An account showing frequent purchases and sales. Such an account usually is given preferential treatment in the matter of interest-carrying charges.

ACTIVE ASSETS

Assets which are continuously employed in the business; productive assets; the opposite of dead assets. (See Assets.)

ACTIVE CAPITAL

Capital continuously employed in profitmaking pursuits. (See Capital.)

ACTIVE MARKET

One in which the volume of sales is large and there is a rush of orders to be executed.

Market activities is entirely relative to specific phases of speculative interest. On the New York Stock Exchange, activity must be measured in relation to the number of companies and shares listed. What was considered an active market forty years ago, when listings were fewer, might not be so considered under present conditions. Yet, an active market is chiefly a function of speculative activity for an advance. Under normal conditions, markets are more active, that is, transactions become more numerous, in an advancing market than in a falling market. Under circumstances of panic or emergency liquidation, however, the above rule is broken. For example,in October, 1929, a month of terrific decline in stock prices, all records were broken in daily stock transactions on the New York Stock Exchange. The three record days in point of activity on the New York Stock Exchange, all representative of sharply declining prices, occurred in October, 1929, as follows:

	Shares Transacted
October 29, 1929	16,410,030
October 24, 1929	12,894,650
October 28, 1929	9,212,800

The highest monthly sales volume in the history of the New York Stock Exchange was October 1929—141,668,410 shares. The previous monthly record was held by November, 1928, when stocks were rising, during which 116,053,290 shares changed ownership. Transactions in October, 1929, alone exceeded those of any full year prior to 1898. The October 1929 daily average of 5,448,785 shares affords an interesting contrast with sales volume in preceding years. Not till 1901 did the daily average for any one month exceed one million shares, the turnover of 3,336,695 shares on May 9, 1901 (day of Northern Pacific corner) standing as the record until 1924.

The period 1925 to 1929 easily marks the years of greatest activity in the history of the New York Stock Exchange. The largest monthly activity which has occurred since 1929 was in June, 1933, when 125,619,530 shares changed hands. One of the purposes of the Securities and Exchange Act of 1934 (q. v.) is to prevent unnecessary speculation by means of stringent margin requirements and penalties for manipulation. Accordingly, it is believed that speculative activity may never again reach the heights of 1928 and 1929. Average daily activity for a full session on the New York Stock Exchange reached 1,370,385 shares in 1946, compared with 1,413,538 shares in 1945.
(See under New York Stock Exchange.)

ACTIVE SECURITIES

Securities in which daily sales occur and for which daily quotations are available. Such securities are said to enjoy a "good market," and consequently possess high marketability and hypothecary (loan) value.

ACT OF BANKRUPTCY

See Bankruptcy.

ACTUAL RESERVE POSITION

See Reserve.

ACTUARY

An insurance expert in mathematics and statistics. He computes risks based upon mortality tables and the law of probabilities and averages, determines annuity rates, premiums upon policies, reserves against death claims, dividends upon participating policies, and other statistical data necessary to determine cash or loan values, amounts of extended and paid-up insurance, etc. (See Insurance.)

ADDITIONS AND BETTERMENTS

Additions in the system of accounts for railroads prescribed by the Interstate Commerce Commission are defined as structures, facilities, equipment and other properties added to those in service at the beginning of operations and not taking the place of any property for like purpose previously held. Betterments are physical changes in roadway, structures, facilities or equipment, the object of which is to make the properties affected more useful or of greater capacity than they were at the time of their installation or acquisition. Both additions and betterments are gross additions to Account 211, Investment in Road and Equipment, and are listed separately in Account 211-L, Investment Made During

the Year in Additions and Betterments on Leased Lines.

ADJUSTABLE CURRENCY

Another term for Elastic Currency (q. v.).

ADJUSTED CAPITAL FUNDS

Under the revised regulation of the Comptroller of the Currency, effective July 1, 1938 and issued in conjunction with the Federal Deposit Insurance Corporation and the National Association of State Supervisors, adjusted capital funds represent the net capital funds remaining after deduction for bond depreciation and write-offs on doubtful loans, full write-offs or provision for reserves on Group IV loans and Group III and IV bonds, and adjustments in fixed assets. The adjusted capital funds are then compared in ratio to the uncharged off book value of fixed assets and substandard assets, and to uncharged off book value of substandard assets and borderline bonds, the resulting ratios being an indication of strength of capital funds in relation to these weak assets. (See Comptroller's Regulation.)

ADJUSTED RESERVE

See Naked Reserve

ADJUSTMENT BONDS

Bonds usually growing out of railroad or traction company reorganizations, but which sometimes are issued in an adjustment of several existing issues into one class to provide for a uniform interest rate. Adjustment bonds are practically synonymous with income bonds, and in many cases they are designated as adjustment income bonds. The real significance of an adjustment or income bond issue is that interest is payable only if earned. Failure to pay interest, when not earned as determined by the provisions of the mortgage or agreement, does not constitute cause for foreclosure or receivership. Interest upon these bonds is a claim upon earnings only after payment of interest on all prior obligations. Thus, they are a claim on earnings prior to stock issues only.

The adjustment bond is an ingenious instrument. As its name implies, it is a device used by reorganization managers to aid in the adjustment of a capital structure that is too large for a company's earning power. To make the capitalization structure more flexible and to reduce fixed charges, the holders of the junior fixed-interest bonds are asked to accept in part, or perhaps in whole, adjustment bonds on which the payment of interest is contingent upon earnings. Its function, then, is the substitution of a contingent charge for an obligatory charge. If the company, under the new capital structure, is successful, interest will be paid on the adjustment bonds which may even work into an investment position, as in the case of the Atchison, Topeka & Santa Fe adjustment 4s. If earnings do not improve sufficiently to pay the adjustment bond interest, the holders are no worse off than at the time of receivership, and meanwhile the company is relieved of facing financial embarrassment.

Adjustment bonds partake of the nature of both bonds and stocks, but they are closer to the former than the latter. Normally, adjustment bonds are the lowest in rank of all the bonded obligations of a company. Yet most of these issues are secured by a mortgage, and all of them have a par value and maturity date, thereby representing a claim against the company at full maturity just as much as any other bond issue. But whether the company will be able to refund these bonds at maturity will depend upon its credit position, and the number and size of the obligations senior to them.

Interest on adjustment bonds is paid only when earned and declared by the board of directors. In this respect, adjustment bonds are like stocks. In most cases, the rule for determining net income available for these bonds is recited in the provisions of the adjustment mortgage, but in the case of railroad adjustment bonds would be fixed by the Interstate Commerce Commission accounting rules. In a number of instances, a company is not required to pay out the full amount available for the adjustment bonds, but is allowed to retain a part of such net income available as adjustment bond interest for capital purposes. The specific terms may be stated in full in the mortgage, or the payment of interest may be wholly discretionary with the board of directors. In the case of the Missouri-Kansas-Texas adjustment mortgage 5 per cent. bonds, the directors have no alternative than to pay such interest if earned.

Interest on some adjustment bonds is cumulative, and on others non-cumulative. It is usually payable in part, if not earned in whole. Coupons may or may not be attached. Some of these bonds are redeemable at par or at a premium prior to the obligatory maturity, and a few are convertible into stock. In some instances, interest is payable semi-annually, and in others annually. Adjustment bonds normally sell "flat" like stocks, although where these bonds have worked into an investment position as shown by the fact that the company is paying dividends on both preferred and common stocks, they sell on an "and interest" basis, like fixed-interest bonds of solvent companies. The Atchison, Topeka & Santa Fe adjustment mortgage 4s are an example of adjustment bonds that are traded on an "and interest" basis. When adjustment bonds are traded on a "flat" basis, they go ex-interest on the coupon date in the same manner as stocks go ex-dividend.

The following are some of the principal illustrations of adjustment bonds:

Atchison,Topeka & Santa Fe adjustment mortgage 4s, 1995.

Chicago, Milwaukee, St. Paul & Pacific adjustment mortgage 5s, 2000 (cumulative and convertible).

Hudson & Manhattan adjustment income 5s, 1957 (cumulative).

Missouri-Kansas-Texas adjustment mortgage 5s, 1967 (cumulative and convertible).

Third Avenue Railway adjustment income 5s, 1960.

Wolverine Power adjustment "A" 4 1/2s, 1959.

ADJUSTMENT MORTGAGE

See Adjustment Bonds.

ADJUSTMENT MORTGAGE BONDS

See Adjustment Bonds.

ADJUSTMENT PREFERRED STOCK

Preferred stock that has arisen out of an adjustment of claims in a reorganization.

This title for a preferred stock, however, has been comparatively rarely used in recent years, even by railroad reorganization managers in issuing new preferred stocks with dividends cumulative only to the extent earned. One example, outstanding since 1926, is Norfolk & Western Railway Company adjustment preferred stock.

ADJUSTMENTS

(1) The correction of errors in statements of account submitted by banks to their customers due to misposting, omission of deposit, unauthorized payment of check, failure to credit interest, overcharge for commission, etc. Adjustments are made by the bookkeeping or auditing department. (See Auditing Department.)

(2) The deductions and charges made from current earnings or from surplus and undivided profits, and in some cases from reduction in capital, to charge off losses on loans and discounts, securities or other assets and to provide additional reserves against these assets.

ADMINISTRATION, LETTERS OF

See Letters of Administration.

ADMINISTRATOR

A person appointed by the probate (or surrogate) court, or by the registrar of wills, to settle the estate of an intestate decedent (one who has died without leaving a will.) Like an executor and trustee, he holds the legal title to property destined for the benefit of others, the equitable owners.

His authority to act consists of Letters of Administration, granted by the court. He qualifies by giving bond, and follows much the same procedure as an executor. He collects the assets, advertises for claims and pays them off, and distributes the personal property among the rightful heirs in accordance with the inheritance laws of the state.

Administrators are of the following classes: (1) general administrator, appointed to act where there is no will; (2) administrator cum testamento annexo (with the will annexed), who acts when a decendent leaves a will without naming an executor, or when the executor has died, has become incapacitated, or refuses to act; (3) administrator de bonis non, who acts when the first administrator has died or has been discharged before the estate has been fully administered; (4) administrator pendente lite, who is appointed to take charge of an estate pending the outcome of litigation over a contested will; (5) administrator durante minori aetate, who is appointed to act during the minority of an executor; (6) administrator ad litem, who acts wherever the deceased has been or his estate is, a party to a suit, but only for the purpose of such action. (See Executor, Letters of Administration.)

ADMINISTRATRIX

The feminine form of Administrator (q. v.).

AD VALOREM

Latin for according to value. This term is used in connection with the tariff on imports. There are two principles of levying customs duties; based on number or by weight, or declared value. The first is called a specific duty; the second, an ad valorem.

ADVANCE

This term has three meanings:

(1) In general, the same significance as the word loan, but an advance may be on open account as well as being evidenced by a note, with or without collateral.

(2) A payment on account, or before a contract is completed, or legally due.

(3) An expression to indicate a rise in prices.

ADVICE

A form letter sent by a bank to a customer or bank in acknowledgment of the receipt or credit of money, checks, drafts, securities or other documents, or that it has executed the instructions of its customer, such as to make a telegraphic transfer, a payment of money, purchase of securities or to issue a letter of credit. On the other hand, a bank receives advices from correspondent banks, etc. These are known as incoming or returning advices.

ADVICE BOOK

A book or file in which duplicate outgoing and incoming advices are kept.

ADVICE DEPARTMENT

The department of a bank which handles advices, receipts or acknowledgments of deposits, securities, etc., received from customers, and which receives and checks incoming and return advices. (See Advice.)

ADVISE FATE ITEM

See Wire Fate Item.

AFFIDAVIT

Latin for "has pledged his faith." A written statement subscribed and sworn to before a notary public, commissioner, consul or other officer empowered to administer oaths. The affidavit must contain the affiant's (deponent's) name and address and signature of the attesting officer.

AFFILIATION

A concern whose management is closely connected with that of another. An affiliation may be secured with another company by a partial or controlling stock interest or by means of an interlocking directorate. An affiliated company is closely allied to a subsidiary company, except that in the latter control is more complete. (See Security Affiliate, Subsidiary Company.)

AFTER ACQUIRED CLAUSE

A clause in a mortgage whereby the lien of the mortgage will attach to any additional property acquired by the mortgagor subsequent to the date of the mortgage. (See Mortgage.)

AFTER DATE

An expression used in notes, drafts and bills of exchange. "Ninety days after date pay to the order of _____," the date referred to being the date the

instrument is drawn.

AFTER SIGHT

After acceptance, e. g., a draft payable 30 days after sight is payable 30 days after presentation and acceptance. This term should not be confused with At Sight.

AGAINST THE BOX

In a short sale (q. v.), the term used where the individual selling short actually owns the stock sold short, but for some reason does not intend to deliver that particular stock owned in order to cover his short sale. The principal reason would be that he wished to engage in selling that stock short, believing it will go lower, but does not wish to go to the trouble of delivering his certificate and then buy back the stock at the expected lower price as in a regular "long" sale. Also, the certificate may be inaccessible to him, in a safe deposit box or pledged, etc. In such a case, the order must be executed in the same manner as any other order to sell marked "short".

AGENCY

A legal relationship between principal and agent. (See Agent.)

AGENT

A person who represents or acts for another person called the principal in dealing with third parties. An agent is not to be confused with servant or independent contractor. An agent differs from a servant and an independent contractor in that he brings the principal into new contractual obligations. Normally, an agent is employed to represent the principal in certain business or professional transactions.

Agents are generally of two kinds: special, who are authorized to perform one or more specific acts for the principal and no others; general, who are authorized to conduct all the business of the principal or business of a certain kind with stipulated limitations. Also, a rarer type of agent is the universal agent, empowered with the broadest grant of authority to perform every act which the principal can lawfully delegate to an agent. Whatever business a person can transact for himself may be delegated to an agent.

Creation of an agency generally is governed by principles of contract law, and may arise by (1) written or oral contract; (2) instrument under seal where a statute so requires; and (3) authority implied from express authority conferred. In a partnership, each partner is the principal for and the agent of his copartners as to any acts within the scope of the partnership in business. An agency may also arise from equitable principles of estoppel, where there is a false or misleading holding out by the principal; reliance thereon by the third party; and damage or detriment incurred by the third party. Agencies may also arise by operation of law in the absence of actual consent by the principal, e. g., a married man may be bound to pay for necessaries for his wife purchased on his credit, or for necessaries similarly purchased by children under age on his credit. Finally, an agency may arise by ratification, whereby authority is conferred by the principal after performance of the agent's acts.

An agency may be terminated by (1) acts of the parties, such as by force of the original agreement, mutual consent of both principal and agent, revocation by the principal, or renunciation by the agent; and (2) by operation of law, such as death, insanity or bankruptcy of the principal or agent, war, or impossibility because of change in law or destruction of the subject matter.

The principal duties of the principal are to compensate the agent for services; reimburse the agent for expenses incurred in the course of the agency; indemnify the agent for losses and liabilities incurred in execution of duties; and protect and indemnify the agent for personal injuries sustained in the course of the agency. On the other hand, the agent's chief duties are loyalty to his trust, not to exceed his authority, obey instructions, exercise care in performance of his duties, account for the principal's money or property, and give notice to principal of all material facts necessary for protection of the principal's interests.

In order to perform certain transactions, an agent's authority is required by statute to be in writing, and should be conferred by a Power of Attorney (q. v.). Thus, in New York today, written authority is required before an agent may enter into an executory as well as an executed contract of conveyance, grant or assignment of an interest in real property, except a lease not exceeding one year. Also, at common law and in those states where the common law effect of a seal is still recognized, authority to execute a sealed instrument can be conferred only by authority under seal. However, in New York today oral authority conferred upon an agent is competent to enable him to bind the principal, whether or not the contract between the principal and the third party is under seal. And the distinctions between a sealed and unsealed instrument are practically abolished by a New York statute of recent years.

AGENT DE CHANGE

The title given to a member of the Paris, and other bourses, of continental Europe.

AGIO

The premium which the metallic or other currency of a country may command over legal tender paper money which is its face equivalent. This term is restricted in its use to continental Europe.

AGRICULTURAL ADJUSTMENT ACT

(1) An act approved May 12, 1933, and amended August 24, 1935, to extend control over additional farm products and their processing, which contemplated a raising of farm prices to their pre-war parity with manufactured goods in the base period August, 1909-July, 1914. Among other things it provided for direct agricultural relief by authorizing the Secretary of Agriculture to force increase farm prices either through allocating production or through leasing of land for the purpose of withdrawing it from production and to license and tax processors of agricultural products to pay the cost of this program.

Arranged for farm mortgage relief by granting authorization for the refinancing of farm mortgages at 4 1/2 per cent. interest through the issuance of not more than $2,000,000,000 in Government bonds, only

the interest of which was originally guaranteed by the Government but by later amendment, the principal also became so guaranteed.

Authorized a broad inflation program involving the expansion of Federal Reserve credits by as much as $3,000,000,000 in Treasury notes secured not by gold but solely by the credit of the United States Government also authorized the President (in the so-called Thomas Amendment, q. v.) to devalue the gold content of the dollar as much as 50 percent. and, for six months from the passage of the act, to accept up to $200,000,000 of silver at a price no exceeding 50 cents an ounce in payment for war debts due from any foreign government to the United States.

Empowered the RFC to make loans in an aggregate now exceeding $50,000,000 to drainage, levee, irrigation and similar districts.

Act Declared Unconstitutional.—The Agricultural Adjustment Act, together with the amendments of August 24, 1935, insofar as they pertained to agriculture was invalidated by a 6-3 decision of the United States Supreme Court on January 6, 1936. The Thomas Amendment was not invalidated. Basis for invalidation rested upon two grounds: (a) an infringement of states' rights, and (b) beyond the powers of Congress to grant a contract of award for compliance which was tantamount to compulsion. Thereupon, the Government ceased the operation of the Act. Processing taxes collected under the operation of the Act were ordered returned to the payers by a Supreme Court decision on January 13, 1936. In the case of Rickert Rice Mills, Inc., petitioner, on writ of certiorari to the United States Circuit Court of Appeals for the Fifth Circuit, vs. Rufus W. Fontenot, individually and as acting United States Collector of Internal Revenue for the District of Louisiana.

On February 10, 1936, Congress repealed under an Act briefly known as the Cotton-Tobacco-Potato Repeal Act, the laws auxiliary to the Agricultural Adjustment Act, namely, the Bankhead Cotton Control Act as amended, the Kerr Tobacco Act, and the Potato Control Act.

(2) On February 29, 1936, Congress approved as a substitute measure for the invalidated Agricultural Adjustment Act, legislation known as "Soil Conservation and Domestic Allotment Act." This act is based on the Federal power to protect land resources against soil erosion, and permits the Government to acquire lands or to make payments to agricultural land owners for withdrawing acreage from cultivation or planting acreage to non-commercial crops intended to restore fertility to the soil. To carry out these purposes, the Secretary of Agriculture may pay farmers not over $500,000,000 a year. The act provides that after Jan. 1, 1942, the States may take over regulation under the act under plans approved by the Secretary of Agriculture and under his supervision.

Most important principle of this substitute for the old AAA was its stated purpose to re-establish the August, 1909-July, 1914 ratio (August, 1919-July, 1929 for tobacco) between the purchasing power of the net income per person on farms and that of the income per person not on farms, and the maintenance of such ratio. This compared with the simple objective of price parity under the old AAA. But the act also provided that its powers shall not be used to discourage the production of supplies of foods and fibers sufficient to maintain normal domestic human consumption (as in the years 1920-1929).

(3) The Agricultural Adjustment Act of 1938 amended and supplemented the Soil Conservation and Domestic Allotment Act by providing for mandatory commodity loans, marketing quotas, and crop insurance, as follows:

Under Section 302 of the act, loans of the Commodity Credit Corporation (q. v.) for sustaining prices of commodities were made mandatory for cotton, corn and wheat under specified supply and price conditions. Purpose of such loans is to encourage storage of such commodities in times of surpluses by making storage at least as profitable as immediate marketing. The note and loan agreement for such loans provided that cooperating producers shall not be personally liable for any deficiency arising from sale of the collateral.

Under the marketing quota provisions, when 2/3rds of affected producers approve, the marketing of wheat, cotton, corn, rice and tobacco surpluses shall be regulated by marketing quotas when specified conditions of oversupply are found to exist by the Secretary of Agriculture.

Under the crop insurance provisions, crop insurance is introduced for the first time in agricultural history, first to wheat growers beginning with the 1939 crop, and later extended to other crops. Premium rates are to be calculated for each farm according to its loss history, and the insurance against losses from unavoidable causes covers 50% to 75% of past average yields. Premiums and indemnities are payable in the commodity or its cash equivalent.

To attain the objective of parity purchasing power, the act further authorized the Secretary of Agriculture to distribute the authorized payments to producers of corn, wheat, cotton, rice or tobacco so as to enable their combined proceeds from production and these payments as nearly equal to parity income as possible.

World War II Experience: During World War II, the General Maximum Price Regulations, which became effective in May, 1942, established ceilings over a wide list of commodities. However, many farm products were exempted because their prices had not reached parity. Beginning with the spring of 1943, the Steagall Amendment to the Price Control Act authorized the payment of subsidies to producers or processors of various essential food products which permitted price support at or above 90% of parity, thus achieving the aim of higher prices to farmers and resultant stimulation to production without corresponding increases in consumer prices. When price rollbacks were ordered, compensatory payments were made by the Secretary of Agriculture to affected producers or processors.

Although price control was terminated in 1946, the agricultural price stabilization and subsidy payment program was extended through 1948, with volume of payments and financing being dependent upon specific annual appropriations by Congress.

As of mid-year 1947, agriculture finds itself in quite prosperous condition. With the lifting of price controls in 1946, the average level of prices received by farmers advanced 25% from June, 1946 to October, 1946, and as of mid-year 1947, prices averaged 155% higher than before the World War II, and 15% above the post-World War I peak reached in 1920. Thus, current prices averaged about 30% above the Government price support point for the specified commodities.

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AGRICULTURAL CREDIT

Credit extended to farmers for the purpose of facilitating farm operations, i. e., planting and harvesting of crops; purchase of implements and tools; breeding, raising, fattening or marketing of live stock and dairying, as differentiated from credit extended to purchase farm land. The latter is called farm mortgage credit. Present Government agencies extending credit of various types to aid agriculture, all in the Department of Agriculture, include:

1. Farm Credit Administration.
    a. Banks for Cooperatives.
    b. Federal Intermediate Credit Banks.
    c. Federal Land Banks.
    d. Production Credit Corporations
    e. Regional Agricultural Credit Corporation.
    f. Agricultural Marketing Act Revolving Fund.
2. Federal Farm Mortgage Corporation
3. Rural Electrification Administration.
4. Commodity Credit Corporation.
5. Farmers' Home Administration.
6. Federal Crop Insurance Corporation.

(See under above agencies.)

AGRICULTURAL CREDIT CORPORATIONS

See Agricultural Credit.

AGRICULTURAL CREDITS ACT

An act approved March 4, 1923, which created two classes of corporations designed to improve agricultural credit. These two classes of corporations are the Federal Intermediate Credit Banks, which were brought under the Farm Credit Administration in 1933, which in turn was placed in the Department of Agriculture in 1939; and National Agricultural Credit Corporations, of which only one exists, at Fresno, California, under jurisdiction of the Comptroller of the Currency. (See Intermediate Credit Banks, National Agricultural Credit Corporations.)

AGRICULTURAL LOANS

See Agricultural Credit, Agricultural Paper, Amortization Loans.

AGRICULTURAL PAPER

Notes and acceptances arising out of agricultural transactions as distinguished from purely commercial or industrial transactions.

To be eligible for rediscount, eligible paper must have a maturity at the time of discount, of not exceeding 90 days, exclusive of days of grace, except that agricultural paper, as defined below, may have a maturity of not exceeding 9 months, exclusive of days of grace.

As defined by the Board of Governors of the Federal Reserve System in Regulation "A", Sec. 1 (d), revised effective October 1, 1937, agricultural paper eligible for rediscount at the Federal Reserve Banks is "a negotiable note, draft or bill of exchange issued or drawn, all the proceeds of which have been or are to be used, for agricultural purposes, including the production of agricultural products, the marketing of agricultural products by the growers thereof, or the carrying of agricultural products by the growers thereof pending orderly marketing, and the breeding, raising, fattening or marketing of livestock." (See Cattle Loans.)

AGRICULTURE

See: Agricultural Adjustment Act, Agricultural Credit, Agricultural Paper, Bankhead Cotton Control Act, Commodities, Corn, Cotton, Crop Reports, Department of Agriculture, Farm Income, Futures, Grades (Grading), Oats, Parity, Rye, Wheat.

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AIR POCKET

A stock market expression used to indicate abrupt and extreme weakness in a specific issue; that is, a decline out of proportion to that in the general list, or a decline in the face of general strength. It is caused by a sudden withdrawal of nearby bids. The term is akin to Soft Spot (q. v.), but is more forceful since it refers to a more violent downturn.

ALCOHOL

An important chemical product of increasing commercial importance. Ranks, after water, as the leading commercial solvent, and with water and sulphuric acid, as the three absolutely indispensable compounds entering into the manufacture of almost unlimited variety of essential products. It is one of the six most useful organic substances. The chemical formula of pure alcohol, specifically, ethyl alcohol, is CH_3-CH_2-OH, the raw material sources being chiefly grains and molasses. Ethyl alcohol is the most important of the alcohols, and is the only type suitable for beverage purposes. Other alcohols are known as methyl (wood alcohol), amyl, benzyl, butyl, allyl and propyl.

Alcohol manufacture and use in the United States is under Government control (Bureau of Industrial Control (Bureau of Industrial Control.) Since the tax-free denatured alcohol act was passed in 1906, use has increased from 1,000,000 gallons annually to about 100,000,000 gallons at the present time. Except for human consumption, when pure ethyl alcohol is required (as in all beverage use, flavoring extracts, medicinal, scientific and profession use) and subject to Federal taxes, alcohol for industrial purposes, authorized for use in manufacture of a specific product, is dena-

tured. Substances added to alcohol to render it non-drinkable are called denaturants. Though making alcohol unfit for human consumption, denaturants do not interfere with its commercial use or efficacy. There are two general types of denatured alcohol:

1. Completely denatured alcohol. This alcohol is so effectively denatured as to preclude the possibility of its use as a beverage. The denaturants are of such character that, by virtue of their odor and taste, they serve as a warning that the liquid is unfit for human consumption. Completely denatured alcohol is largely used as an antifreeze automobile radiator solution.

2. Specially denatured alcohol. This alcohol is denatured under 68 different Government formulas to serve the commercial requirements of a large group of specialized industries producing manufactured products of everyday modern use. These specific denaturants used in specially denatured alcohol under 68 different formulas vary, of course, according to the particular purposes for which the alcohol is to be used. In any event these formulas after having been made are unfit for beverage purposes.

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ALDRICH-VREELAND ACT

See National Monetary Commission.

ALLONGE

A slip of paper attached to a bill of exchange or promissory note to provide for additional indorsements because the original instrument does not afford sufficient space.

ALLOTMENT

The share or portion of an issue of securities granted or assigned by an investment house or syndicate to the subscriber. In an underwriting syndicate the allotment would be made to syndicate members (participants). An allotment may be less than the amount subscribed, since offerings of securities are made "subject to allotment."

ALLOTMENT NOTICE

A letter issued to a subscriber or applicant for bonds or stocks, announcing the quantity allotted or assigned to him, the sum payable and when, or if payable in installments, the several payment dates.

ALLOTTEE

A person, investment house or syndicate member to which securities are allotted in response to a subscription therefor.

ALLOY

A base metal mixed with gold or silver to impart greater durability to coins made therefrom, because pure gold and silver are too soft for currency purposes.

All gold coin was withdrawn from circulation under the Gold Reserve Act of January 30, 1934 and formed into bars. Standard silver dollars are 9/10th fine, i. e., they contain nine parts pure metal and one part alloy (copper). "Subsidiary silver" (50¢, 25¢, and 10¢ pieces) also contain 10% copper. The 5¢ piece coined from October 1, 1942 through December 31, 1945 was composed of 56% copper, 35% silver and 9% manganese. The Act of March 27, 1942 authorized a change in the content of the 5¢ piece from its former composition of 75% copper and 25% nickel in order to release nickel and copper for War uses. Early in 1946, coinage of the 5¢ piece composed of copper and nickel in the former ratios was resumed. Coinage of the 1¢ piece at its former ratio of 95% copper, 4% tin and 1% zinc has been resumed after coinage at the ratio of 95% copper and 5% zinc was tried as a wartime measure in order to save tin.

English gold coins are 11/12 fine and because purer, are subject to greater abrasion than those of the United States. (See Abrasion, Coinage.)

ALTERATION

Any change involving an erasure and re-writing, either in a check or other negotiable instrument, is material which alters the effect of the instrument in any respect. An alteration may consist of a change in amount, date, time and place of payment, medium or currency, or in the number or relations of the parties.

Any material alteration in a check must be initialed or signed by the drawer. Due to the greater ease of forging initials, it is recommended that alterations be confirmed by full signatures. In order to save future controversy, it is still better to draw a fresh instrument than to issue one showing evidences of carelessness or inaccuracy.

The fraudulent alteration of checks, particularly raising the amount, is a source of great annoyance and loss. Numerous frauds have been perpetrated upon banks in this way, and a bank is responsible to its customers for paying on altered check. Just as a bank is presumed to know the signatures of its customers, so it is required to use due diligence in protecting them against losses through the fraudulent alteration of the amount. Paying tellers and check desk clerks should, therefore, scrutinize checks for possible alterations before they are paid or charged to the drawer's account.

Various means have been invented to prevent fraudulent alteration of checks. These are discussed under Check Protecting Devices (q. v.).

Where alterations become necessary in the books of account in a bank, they should be made neatly by ruling through the wrong entry and writing the correct one above or below it. In this way the evidence is not destroyed and the books are left in a neater condition that if figures are written over, erased, scratched out or inked over. (See Forgery, Forged Instruments, Negotiable Instruments Law, Art. IX, §205, 206.)

ALTERNATE DEPOSITS

Deposits made in the names of two persons connected by the word "or," e. g., John or Mary Doe. Such deposits made in the names of two persons, payable to either, or payable to either or the survivor, are termed "joint accounts" in banking parlance, and are frequently used by a man and wife, or by members of a partnership. Because use of the words "and" and "or' might have different legal effects from that intended by the parties, the deposit agreement should specifically state the right of either depositor to withdraw funds from the account and the right of the bank to pay the balance to the survivor, if so intended. In the

absence of specific agreement, the laws of the particular state will control.

ALTERNATIVE FISCAL AGENT

See Fiscal Agent

ALTERNATIVE PAYEE

When a check or bill is payable to either of two persons, each is an alternative payee. According to judicial construction, where an instrument is payable to payees in the alternative, either one of such parties who is in possession of the instrument is the holder and may negotiate or transfer the instrument. See Sec. 8 (4) and (5), and Sec. 41 of Uniform Negotiable Instruments Law (Sec. 27 (4) and (5), and Sec. 71 of N. Y. Negotiable Instruments Law).

ALUMINUM

Also known as aluminium in chemistry, is a silver-white metal combining the characteristics of lightness, resistance to oxidization, conductivity to heat, malleability, and ductility. Although discovered as an element in 1825, it was not till 1886 that the metal was produced commercially. Since that time, its use has widened more than that of any other metal, possibly excepting nickel, because of its property of lightness, magnesium being the only other important lighter metal.

Pound for pound, aluminum will carry more weight, or more electrical current, or more heat than any other commercial metal. Its lightness can be illustrated by pointing out that its specific gravity is 2.6 (water has a specific gravity of 1); copper 8.9, gold 19.32, iron 7.03 to 7.73, tin 7.3). Its tensile strength is approximately the same as that of copper being 15 tons per square inch whereas copper is 14 tons per square inch. Tensile strength can be increased by combination of metal with others.

The development of strong aluminum alloys has made possible the substantial increase in aluminum production during recent years of broadening the field of utilization. This was accomplished by evolving processes enabling low production cost for aluminum, thus making it feasible to gradually substitute this new metal for steel, copper and other cheaper metals, owing to its unique physical characteristics. The specific gravity of aluminum is about one-half that of iron yet it is strong regardless of its lower specific gravity. As a matter of fact, weight for weight, aluminum is exceeded in tensile strength only by the best cast steel and its own alloy, aluminum bronze. Its alloy, duraluminum, has the greatest tensile strength of any metal for its weight and is, therefore, desirable for use in aircraft construction.

Bauxite, the hydrated oxide of aluminum is the only ore which constitutes a commercially profitable source for aluminum. About 75% of the world's production of bauxite is treated for aluminum extraction. One of the essential requirements for the economical extraction of aluminum from bauxite is an abundance of low cost electric power. The importance of electric power in the production of aluminum is indicated by the fact that in producing each ton of metal 20,000 kilowatt hours of electrical current are consumed. In addition to the electrical current and carbon electrodes utilized in producing each ton of aluminum there are also required, four tons of bauxite, two tons of coal, some limestone, hundreds of pounds of soda and of cryolite, brought from Greenland, making in all 17 tons of materials.

The development of methods of alloying pure aluminum has resulted in a product which compares favorably with steel in strength and has a distinct advantage over the later metal in the matter of lightness. This advance in the process for manufacture of aluminum has greatly increased the utilization of the metal and it is now used in practically all of the major industries, in forms varying from a thin foil to heavy beams for construction purposes. In forms for working, aluminum is produced in sheets, tubes, rods, wire and ingots. From these shapes are manufactured a wide variety of products which are utilized in some manner or other in the construction of radio sets, automobiles, airplanes, cooking utensils, furniture, vacuum cleaners and for numerous other industrial purposes, including the manufacture of building materials, rubber and chemicals, as well as in the production of petroleum, the production and transmission of electric power, and in the construction of steam and electric railway equipment.

AMALGAMATION

See Merger, Consolidation of Banks.

AMERICAN ACCEPTANCE COUNCIL

An organization last located in New York City, previously known as the American Trade Acceptance Council, the purpose of which until its dissolution in 1936 was to aid generally in the development of use and open market for trade and bank acceptances. (See Trade Acceptance.)

AMERICAN BANKERS ASSOCIATION

The American Bankers Association is the nation-wide organization of all classes of banks in the United States. It has members in every state and territory of the Union, comprising over 15,840 of the 16,352 banks in the country. It includes virtually all the larger banks and the great majority of the smaller ones, representing over 99% of the nation's aggregate banking resources.

The Association was started in 1875 when bankers from various parts of the United States met and issued a call for a general banking convention which was held the same year. The chief aims of the Association as formally stated are to promote the general welfare and usefulness of banks and financial institutions; secure uniformity of action; obtain the practical benefits of personal acquaintance and discussion of subjects important to banking and commerce, especially proper consideration of financial and commercial usages, customs and laws affecting the banking interests of the entire country; and to provide for protection against crime.

The history of the Association shows development, growth and adjustment to meet the changing and expanding conditions of the country. The extension and evolution of varied interests in banking first called for a segregation of activities within the organization and from time to time various subdivisions were formed. Each such unit of specialized interest functions under its own elective administrative officers and covers

its particular field in more detail than could be attempted by the general activities of the Association. Thus arose the National, Savings, State Bank, and Trust Divisions. More recently, with the spreading tendency among banks to practice under a single charter all types of financial service, as when a commercial bank installs savings and trust departments, this evolution is being met in the Association through a greater coordination of common functional interests among the various Divisions. Thus all members can benefit in their activities without disturbing the present organization and distribution of administrative duties and privileges.

Administration of the Association as a whole is conducted by its general elective officers, with the General Convention as the supreme authority, with the Executive Council to exercise specific functions of administration and with the Administrative Committee to represent the Council and administer the affairs of the Association in the interim between meetings of the General Convention and the Council.

The nation-wide and varied representativeness of the Association as to its administration is safeguarded by several provisions. The members of the Executive Council are representative of the various states, being elected by the American Bankers Association membership within those states.

ABA services provided to the membership by the thirty departments of the Association include:

1. Post-War Small Business Credit Commission. This commission, created by the Executive Council, consists of personnel totaling forty, half representing large banks and half representing small banks, chosen from the twelve Federal Reserve districts, and staff trained specialists to carry out its program, which is extend to 1949. Purposes of the commission are:

(1) Survey the post-war credit needs of small business;

(2) Suggest ways and means by which credit applications may be made bankable by individual banks or by banks acting together;

(3) Educate bankers in the newer forms of lending; such as accounts receivable financing, field warehousing and term loans;

(4) Help in setting up credit groups composed of local banks, in various areas where there appears to be a need for such groups;

(5) Keep in touch with supervisory authorities, both state and federal, to acquaint them with the work of the commission;

(6) Educate bankers in the merchandising of credit, emphasizing the necessity for giving every credit application careful consideration.

2. Federal legislation activities, through the Committee on Federal Legislation, Subcommittee on Taxation, the Legal Department, and the Washington Office. Attorneys for the ABA read every bill introduced into Congress for its effect, direct or indirect, on private banking, and through consultation and contact with legislators and committees, and testimony where necessary at hearing, the Association keeps a close check on Federal legislation. Since 1938, the Association has been opposing government subsidized credit where it is in unfair competition with chartered banks.

3. Telegraphic code developed by the ABA, for insuring secrecy and saving in telegraph bills.

4. The magazine "Banking", published monthly, official journal of the Association.

5. Specialized studies and services for the particular classes of banks provided by the National Bank Division, Savings Division, State Bank Division and Trust Division.

6. Customer and personnel relations activities and services, supervised by the Director of Customer and Personnel Relations.

7. Insurance and protective services, supervised by the Insurance and Protective Committee.

8. Activities in education, both in the training of bank personnel and education of the public. Training of bank personnel is carried on through the American Institute of Banking (q. v.), a section of the Association. Advanced education is available to bank officers through the Graduate School of Banking (q. v.).

9. Credit Policy Commission, which is the governing body on all credit policies, developing adequate methods of operation in all phases of credit and assisting in formulating policies and practices.

10. Agricultural Credit Department, which collects and by analyzing data on agricultural financing, including operations of government farm credit agencies, seeks to increase the quantity and improve the quality of agricultural financing done by country banks.

11. The Agricultural Commission, composed of a representative farm-minded banker from each of twelve regions, which counsels and cooperates with individual banks and with agricultural committees of state bankers associations, working for agricultural improvement and closer cooperation between bankers and farmers.

12. Country Bank Operations Commission, composed of twenty experienced bankers drawn largely from rural communities, which devotes its entire attention to methods of increasing revenue, improving operations, adding services, preserving the dual banking system, stimulating new business activities, developing practical public relations, and in general, strengthening the place of the country bank in the economic life of the nation.

13. The important Bank Management Commission, whose function is to study management methods, conduct research, and recommend the best banking practices to member banks. Among studies prepared by this commission are those on computing and accruing federal income taxes, special checking accounts, safekeeping, check standardization and simplification, earnings and expenses of banks (annually), a bank money order plan, loans on accounts receivable, field warehousing, cost accounting, account analysis and service charges, purchasing of bank supplies, auditing and accounting methods.

14. Consumer credit services, research and studies on which are provided by the Committee on Consumer Credit.

15. Advertising services available to members through the Advertising Department, produced on a cooperative basis, all expenses of production and overhead being borne by revenue from material supplied to banks.

16. Service to members, committees and departments of the Association provided by the Research Council. Long term projects currently in process relate to social security legislation, deposit insurance, the possible shifting of bank deposits, and federal banking legislation.

INDIANA UNIVERSITY LIBRARY

17. To correlate activities in public relations, the Association has a Public Relations Council, which applies group judgment and effective coordination to the work of such Association units as the News Bureau, the magazine "Banking", the Advertising Department, the Personnel and Customer Relations Department, the American Institute of Banking, and the Committee on Public Education.

18. Services on legal problems, provided by the Legal Department, and information and guidance on banking law problems provided by Paton's Digest of Legal Opinions, the fourth edition of which is now available.

19. The Economic Policy Commission, which gives consideration to matters of economic interest, particularly those which have a practical bearing on banking and business. It keeps an eye on economic effects involved in proposed or pending legislation and assists the Association in determining its policy in economic matters.

20. Other activities, of which there are many covering specialized subjects affecting banking, include those of the Commerce and Marine Commission, giving attention to phases of foreign trade and international matters affecting development of foreign trade and banking; the State Association Section, composed of the secretaries of the 55 such associations located throughout the country, which implement and advance national programs and apply them to the individual states; the Department of Real Estate Finance, which published the Home Mortgage Loan Manual for guiding banks in mortgage lending practices and maintains files of mortgage information for use of member banks; and the Department of Economic Research, interpreting through its Economist the current economic trends.

The address of the official headquarters of the American Bankers Association is 12 East 36th Street, New York 16, N. Y. There the extensive financial library of the Association is maintained. The Washington office is located at 719--15th Street, N. W., Washington 5, D. C., where the general counsel maintains his offices. Chicago office is located at 105 West Adams Street, Chicago 3, Ill., where the western advertising offices of "Banking", and the office of the staff director of the Post-war Small Business Credit Commission, are maintained.

AMERICAN DEPOSITARY RECEIPTS

Normally, listings of shares of foreign companies on American stock exchanges will be in the form of American Depositary Receipts of an acceptable American bank or trust company, representing the deposit of an equivalent amount of underlying foreign shares. Direct listing of foreign shares is considered only in special cases where the form of the security itself, the facilities for ready transferability in New York, prompt interchangeability with certificates outstanding in the primary foreign market, and arrangements for distributing dividends and other rights and benefits to American holders are equivalent to those provided by the use of American Depositary Receipts. Form 19 of the Securities and Exchange Commission is required to be filed with the SEC and the stock exchange concerned for the permanent registration of American certificates (either American Depositary Receipts for foreign shares or American Participation Certificates in foreign bonds or notes) issued against securities of foreign issuers deposited with an American depositary, and of the foreign securities so deposited.

AMERICAN INSTITUTE OF BANKING

An organization founded in 1900 as a section of the American Bankers Association (q. v.) It was originally known as the American Institute of Bank Clerks. Its purpose is the education of bank personnel in the theory and practice of banking and in those principles of law, economics, and accounting that pertain to the banking business, and the establishment and maintenance of a recognized standard of education. The work of the Institute spreads over the entire United States through the organization of chapters and study groups, and by correspondence. As of October 20, 1947, there were 228 chapters and 100 study groups actively operating. In addition, there were approximately 1,600 students participating in its correspondence courses. Where chapters are not practicable, smaller units called study groups are organized. For remoter places, courses of study are pursued by correspondence. Conventions of the Institute are held annually. Headquarters are located at 12 East 36th Street, New York, N. Y. The organ of the American Institute of Banking is styled Bulletin of the American Institute of Banking, and is published quarterly.

AMERICAN PARITY

A foreign exchange term to indicate the equivalent in United States money of the foreign price of a security traded in internationally.

AMORTISEMENT

Same as Amortization (q. v.).

AMORTIZATION

This term has two meanings:

(1) Literally, "killing off," or wiping out, a term usually applied to the payment of long-term debt on the installment or sinking-fund plan; the gradual reduction of a debt by equal periodic payments sufficient to pay current interest and to extinguish the principal at maturity; the reduction of a debt by the application of annual or semi-annual partial payments to the discharge of the principal. This method of debt reduction usually applied to long-term debts, especially farm mortgage loans of the Federal land banks and joint-stock land banks (a method borrowed from European farm mortgage finance), and corporation bonds of the sinking-fund type. (See Amortization Loans.)

(2) The process of reducing or writing off a bond bought at a premium in order to bring its investment or basis value into coincidence with par value on the maturity date. The premium paid for a bond at the time of purchase represents a part of the investment which will not be returned at maturity. Consequently, a part of the cash interest paid periodically on the bond should not be regarded as income, but as an amount to be applied to the reduction of the principal of the investment. This is accomplished by a charge at each bond interest date to the cash interest account and a corresponding credit to the bond or premium on bonds account.

MATHEMATICS OF ACCUMULATION

Date	Cash Interest 3%	Net Income 4 1/2%	To apply to Increase Principal of the Investment, or Accumulation	Book Value	Par
1943 Mar. 1	....	....	(cost)	945.60	1,000.00
Sept. 1	15.00	21.30	6.30	951.90	.....
1944 Mar. 1	15.00	21.40	6.40	958.30	.....
Sept. 1	15.00	21.60	6.60	964.90	.....
1945 Mar. 1	15.00	21.70	6.70	971.60	.....
Sept. 1	15.00	21.90	6.90	978.50	.....
1946 Mar. 1	15.00	22.00	7.00	985.50	.....
Sept. 1	15.00	22.20	7.20	992.70	.....
1947 Mar. 1	15.00	22.30	7.30	1,000.00	.....
	120.00	174.40	54.40		

AMORTIZATION (continued)

To show briefly the mathematic history of a bond bought at a premium and carried on an investment basis, suppose a 6 per cent. four-year semi-annual bond, bought March 1, 1943 was bought to yield 4 1/2 per cent. The table on this page shows what portion of the cash interest is to be regarded as net income or yield and how much in reduction of the principal of the investment. Reference to the bond table shows that such a bond would cost $1,054.40.

The yield is determined by multiplying the book value, which in the first instance is the purchase price, by the pre-determined yield or basis rate, 4 1/2 per cent. The net income for September 1, 1943, is determined by multiplying $1,054.40 by 4 1/2 per cent. This is $23.70. The difference between $23.70 (yield) and $30.00 (cash interest) is $6.30, which is the first amortization installment to be applied in the reduction of the principal of the investment. The new book value, or investment value for September 1st. is the difference between $1,054.40 and $6.30, or $1,048.10. Since the investment value is constantly being reduced the net income for each subsequent interest period declines. It will be seen that the total of the amortization is equal to the premium and that provision has been made to completely extinguish it.

The entry in the books for the first interest period should be as follows:

Dr. Cash	$30.00
Total	$30.00
Cr. Interest Income	$23.70
Bond	6.30
Total	$30.00

Bonds bought at a discount are treated exactly the same way, except that the principal of the investment is constantly being added to instead of being reduced. The amount added to the investment at each interest period is called accumulation. The above table is given to illustrate the mathematical history of a 3 per cent., four-year semi-annual bond bought March 1, 1943, and purchased to yield 4 1/2 per cent. at the price of $945.60.

AMORTIZATION LOANS

A term which applies to long-term loans, especially farm mortgage loans, as allowed under the Federal Farm Loan Act (q. v.), in which the principal is extinguished or amortized during the period for which the

MATHEMATICS OF AMORTIZATION

Date	Cash Interest 6%	Net Income 4 1/2%	In Reduction of Principal of the Investment, or Amortization	Book Value	Par
1943 Mar. 1	....	....	(cost)	1,054.40	1,000.00
Sept. 1	30.00	23.70	6.30	1,048.10	.....
1944 Mar. 1	30.00	23.60	6.40	1,041.70	.....
Sept. 1	30.00	23.40	6.60	1,035 10	.....
1945 Mar. 1	30.00	23.30	6.70	1,028.40	.....
Sept. 1	30.00	23.10	6.90	1,021.50	.....
1946 Mar. 1	30.00	23.00	7.00	1,014.50	.....
Sept. 1	30.00	22.80	7.20	1,007.30	.....
1947 Mar. 1	30.00	22.70	7.30	1,000.00	.....
	240.00	185.60	54.40		

loan is made. Amortization loans were the only kind permitted under the Federal Farm Loan Act. Before the enactment of this law, it was customary for farmers to borrow on farm mortgages as security, giving notes of from three to five years' maturity, subject to renewal. Each renewal necessitated the payment of commissions and agents' fees, and when made in times of financial stringency, farmers sometimes lost their farms because they could not get their loans renewed.

Under the Federal Farm Loan Act, farmers as members of local cooperative associations, known as National Farm Loan Associations, may take out loans from the Federal Land Bank System for as short a period as five years and for as long a period as forty years. Payments are made annually or semi-annually so as to liquidate the entire indebtedness in the period of the loan. To illustrate the mathematics of an amortization loan, the following table is given. The loan is for $1,000 at 6 per cent. interest, repayable in five years by means of semi-annual installments of $117.24, which includes interest and part of the principal:

Payment No.	Instalment	Interest	Applied on principal	Principal still unpaid
1	$117.24	$30.00	$87.24	$912.76
2	117.24	27.38	89.86	822.90
3	117.24	24.69	92.55	730.35
4	117.24	21.91	95.33	635.02
5	117.24	19.05	98.19	536.83
6	117.24	16.10	101.14	435.69
7	117.24	13.07	104.17	331.52
8	117.24	9.95	107.29	224.23
9	117.24	6.73	110.51	113.72
10	117.13	3.41	113.72	.....
	$1,172.29	$172.29	$1,000.00	.....

The original Federal Farm Loan Board since succeeded by the Farm Credit Administration, encouraged the Federal Land Banks in establishing a standard 33-year loan. It did this because this sort of loan was one which simplified the bookkeeping, made the matter of payments and amortization plain to everybody, and gave every borrower the chance to turn himself so far as time was concerned. It spread the privilege of payment over a generation in time, and met every want of almost every borrower. Two amortization tables have been prepared on this basis of 33 years, covering both semi-annual and annual payments. These are exhibited below.

TABLE 1

(A loan of $100 at 6 per cent. interest repayable in 33 years by means of semi-annual instalments of $3.50, which includes interest and part of principal.)

Payment No.	Instalment	Interest	Applied on Principal	Principal still unpaid
1	$3.50	$3.00	$0.50	$99.50
2	3.50	2.98	.52	98.98
3	3.50	2.97	.53	98.45
4	3.50	2.95	.55	97.90
5	3.50	2.94	.56	97.34
6	3.50	2.92	.58	96.76
7	3.50	2.90	.60	96.16
8	3.50	2.89	.61	95.55
9	3.50	2.87	.63	94.92
10	3.50	2.85	.65	94.27
11	3.50	2.83	.67	93.60
12	3.50	2.81	.69	92.91
13	3.50	2.79	.71	92.20
14	3.50	2.77	.73	91.47
15	3.50	2.74	.76	90.71
16	3.50	2.72	.78	89.93
17	3.50	2.70	.80	89.13
18	3.50	2.67	.83	88.30
19	3.50	2.65	.85	87.45
20	3.50	2.62	.88	86.57
21	3.50	2.60	.90	85.67
22	3.50	2.57	.93	84.74
23	3.50	2.54	.96	83.78
24	3.50	2.51	.99	82.79
25	3.50	2.48	1.02	81.77
26	3.50	2.45	1.05	80.72
27	3.50	2.42	1.08	79.64
28	3.50	2.39	1.11	78.53
29	3.50	2.36	1.14	77.39
30	3.50	2.32	1.18	76.21
31	3.50	2.29	1.21	75.00
32	3.50	2.25	1.25	73.75
33	3.50	2.21	1.29	72.46
34	3.50	2.17	1.33	71.13
35	3.50	2.13	1.37	69.76
36	3.50	2.09	1.41	68.35
37	3.50	2.05	1.45	66.90
38	3.50	2.01	1.49	65.41
39	3.50	1.96	1.54	63.87
40	3.50	1.92	1.58	62.29
41	3.50	1.87	1.63	60.66
42	3.50	1.82	1.68	58.98
43	3.50	1.77	1.73	57.25
44	3.50	1.72	1.78	55.47
45	3.50	1.66	1.84	53.63
46	3.50	1.61	1.89	51.74
47	3.50	1.55	1.95	49.79
48	3.50	1.49	2.01	47.78
49	3.50	1.43	2.07	45.71
50	3.50	1.37	2.13	43.58
51	3.50	1.31	2.19	41.39
52	3.50	1.24	2.26	39.13
53	3.50	1.17	2.33	36.80
54	3.50	1.10	2.40	34.40
55	3.50	1.03	2.47	31.93
56	3.50	.96	2.54	29.39
57	3.50	.88	2.62	26.77
58	3.50	.80	2.70	24.07
59	3.50	.72	2.78	21.29
60	3.50	.64	2.86	18.43
61	3.50	.55	2.92	15.48
62	3.50	.47	3.03	12.45

TABLE 1 (Continued)

Payment No.	Instalment	Interest	Applied on principal	Principal still unpaid
63.....	3.50	.37	3.13	9.32
64.....	3.50	.28	3.22	6.10
65.....	3.50	.18	3.32	2.78
66.....	2.87	.09	2.78	.....
	$230.37	$130.37	$100.00	.....

TABLE 2

(A loan of $100 at 6 per cent. interest repayable in 33 years by means of annual instalments of $7, which includes interest and part of the principal.)

Payment No.	Instalment	Interest	Applied on principal	Principal still unpaid
1.....	$7.00	$6.00	$1.00	$99.00
2.....	7.00	5.94	1.06	97.94
3.....	7.00	5.88	1.12	96.82
4.....	7.00	5.81	1.19	95.63
5.....	7.00	5.74	1.26	94.37
6.....	7.00	5.66	1.34	93.03
7.....	7.00	5.58	1.42	91.61
8.....	7.00	5.50	1.50	90.11
9.....	7.00	5.41	1.59	88.52
10.....	7.00	5.31	1.69	86.83
11.....	7.00	5.21	1.79	85.04
12.....	7.00	5.10	1.90	83.14
13.....	7.00	4.99	2.01	81.13
14.....	7.00	4.87	2.13	79.00
15.....	7.00	4.74	2.26	76.74
16.....	7.00	4.60	2.40	74.34
17.....	7.00	4.46	2.54	71.80
18.....	7.00	4.31	2.69	69.11
19.....	7.00	4.15	2.85	66.26
20.....	7.00	3.97	3.03	63.23
21.....	7.00	3.79	3.21	60.02
22.....	7.00	3.60	3.40	56.62
23.....	7.00	3.40	3.60	53.02
24.....	7.00	3.18	3.82	49.20
25.....	7.00	2.95	4.05	45.15
26.....	7.00	2.71	4.29	40.86
27.....	7.00	2.45	4.55	36.31
28.....	7.00	2.18	4.82	31.49
29.....	7.00	1.89	5.11	26.38
30.....	7.00	1.58	5.42	20.96
31.....	7.00	1.26	5.74	15.22
32.....	7.00	.91	6.09	9.13
33.....	9.68	.55	9.13	.....
	$233.68	$133.68	$100.00	.....

The borrower of any sum of money may find what his semi-annual payments would be by multiplying the payments in the first table shown under "Amortization Loans" by the number of thousands of dollars which he has borrowed or expects to borrow, e. g., a loan of $3.000 would call for a payment of about $351.72 every six months.

AMORTIZED LOANS

Same as Amortization Loans (q. v.).

AMORTIZED VALUES

In valuation of bonds, the amortized value is original cost price, plus or minus the amortization of discount or premium to maturity of the bonds. (See Amortization, Convention Values, Comptroller's Regulation.)

ANALYSIS DEPARTMENT

The department of a bank or investment or brokerage house engaged in preparing operating statistics. In an investment or brokerage house, it is more generally known as the Statistical Department (q. v.). The work of the department in a bank consists largely in determining the net profit or loss over a period of time. The analysis of a bank account consists in determining the average, maximum and minimum balance carried and available for lending or investing, number of checks written, average amount of checks in transit and direct and indirect charges thereagainst, and approximate profit or loss resulting from carrying the account. (See Bank Cost-Accounting.)

ANALYSIS OF ACCOUNTS

See Analysis Department, Bank Cost-Accounting.

ANALYSIS OF SECURITIES

See: Security Analysis.

ANALYSIS OF STATEMENTS

See Statement Analysis.

ANCILLARY RECEIVER

A receiver appointed for an insolvent corporation, generally a "foreign" corporation (one incorporated in another state), to assist and be subordinate to the foreign receiver in the collection and marshaling of assets of the insolvent corporation. (See Receiver, Receivership.)

AND INTEREST

A term used in bond quotations and sales to denote that accrued interest is to be added to the price, i. e., the price quoted is exclusive of interest. (See Accrued Interest.)

ANNA

See Foreign Moneys—India.

ANNUAL RETURN

See Return, Yield.

ANNUAL YIELD

See Yield.

ANNUITANT

One who receives an Annuity (q. v.).

ANNUITY

Periodic fixed money payments, payable annually, semi-annually, quarterly or monthly, at the beginning or close of the period, received from an insurance company in consideration of payments made to it either in a lump sum or in installments. Classification of annuities may be as to:

(1) Methods of purchase: single premium annuity, one purchased with a lump sum; and annual premium annuity, one purchased over a period of time by payment of installments.

(2) Method of payments to the annuitant: immediate annuity, one payable beginning in one year, one half year, quarter year, or one month; and deferred annuity, one that does not begin income payments until after a longer period of time to allow for completion of purchase of the annuity by accumulation of installments.

(3) Duration: certain annuity, when income payments are continued for a fixed, certain period; contingent annuity, when continued for an uncertain period; life annuity, when continued during a person's lifetime; perpetual annuity, when continued perpetually; terminable annuity, when income payments cease at a certain time or event.

Single premium annuities, purchasable with a lump sum, are suitable for persons or donors who have already accumulated a large fund. They are, generally speaking, particularly suitable for older people because such persons are of ages at which the return on the annuity is most attractive. On the other hand, deferred annuities are usually suitable for younger people, especially when paid for on installments.

In recent years, the acute investment problem of life insurance companies caused by lower returns on eligible investments resulting from low money rates generally, and the accumulation of large funds available for investment, have resulted in less interest by insurance companies in offering annuities and a reduction in the number of available annuity contracts offered. Representative of annuity contracts offered currently are the following, offered by a large New York life insurance company:

Immediate Life Annuities. —The annuity is payable during the lifetime of the annuitant, either yearly, half yearly, quarterly, or monthly, the first payment being a year, half year, a quarter year or a month, respectively, after the date of the contract, according to the contract purchased. No proportionate amount is payable for the fraction of a period from the last periodic payment to date of death. Evidence that the annuitant is living is required when each payment is made. The consideration depends on the age and sex of the annuitant at date of purchase. The consideration must be not less than $500 and, also, the income payments must not be less than $10 each. Evidence of age is required before issuance of contract. No medical examination is necessary. At ages of applicant under 50 for males or 55 for females, the company will not issue this contract but will issue the Life Annuity with Payments Guaranteed Ten Years at ages 15 and over. The rates for these two types of annuities would not differ materially at these lower ages, and the applicant thus secures the guaranty of 10 years payments at the younger ages for practically the same consideration as would be required under the Life Annuity. Immediate life annuities do not participate in the surplus of the company, and have no cash or loan values. Example: Under latest tables (see samples following page), a minimum consideration of $10 each month payable to a male aged 72 at time of application would cost $1,272.

Life Annuity with Payments Guaranteed Ten Years.—This annuity is payable as long as the annuitant lives, with the additional guarantee that if the annuitant die before ten years' payments have been made, the annuity will be continued to the beneficiary until the end of ten years from the date of the contract. Annuity payments will be made either yearly, half yearly, quarterly, or monthly (first payment being a year, a half year, a quarter year or a month, respectively, after the date of the contract), according to the contract purchased. Evidence that the annuitant is living is required when each payment, due after the end of the first ten years, is made. The consideration depends on the age and sex of the annuitant at date of purchase. Consideration must be not less than $500 and, also, the income payments must be not less than $10 each. Evidence of age is required before issuance of the contract. No medical examination is necessary. There is no participation in the surplus of the company, and no cash or loan values.

Joint and Survivor Annuities. —These annuities are payable until death of the survivor of two annuitants, either yearly, half yearly, quarterly, or monthly (first payment a year, a half year, a quarter year, or a month, respectively, after the date of the contract), according to the contract purchased. The annuity is not reduced upon the first death. No proportionate amount is payable for the fraction of a period from the last periodic payment to date of death of the survivor. Evidence that at least one of the annuitants is living is required when each payment is made. The consideration depends upon the ages of the two annuitants at date of purchase and upon the sexes. Consideration must be not less than $500 and, also, the income payments must be not less than $10 each. Evidence of age is required for each annuitant before issuance of the contract. No medical examination is necessary. The contract is non-participating, and has no loan or cash values.

Retirement Income Contract. —The income payments commence at the anniversary of the contract nearest age 55, 60 or 65 (maturity date), as selected, and are payable monthly thereafter for the life of the annuitant, with payments for at least ten years certain. Installments for the purchase of the contract ("premiums") are payable annually, semi-annually, quarterly, or monthly up to maturity date. Minimum monthly income must be $10, and the minimum premium must be $5. Surplus is distributed annually on the anniversary of the contract. Dividends may be (1) drawn in cash; (2) applied in part payment of any premium due; or (3) deposited at compound interest (never less than 2 per cent), as detailed in the contract. In default of other election, dividends are deposited in accordance with above option (3). Dividend deposits may be used at maturity date to increase the monthly retirement income. When the income begins, excess interest earnings at such rate as the company declares for each year will be allotted. Cash value is available from date of the contract and not later than maturity date. The company may at its option defer paying a cash value for not more than six months after it is requested. Loan value is available from date of the contract and prior to maturity date. Loan value is the amount which with

LIFE ANNUITIES—MALES AND FEMALES

Income payments for life of annuitant. First payment a year, a half year, a quarter year or a month, respectively, after purchase.

Age Last Birthday		Price of $100 Annuity			
Male	Female	$100 Each Year	$50 Each Half Year	$25 Each Quarter Year	Price of Annuity of $10 Monthly
50	55	$2,051 00	$2,078 00	$2,091 00	$2,520 00
51	56	2,002 00	2,029 00	2,042 00	2,461 00
52	57	1,952 00	1,979 00	1,992 00	2,401 00
53	58	1,903 00	1,930 00	1,943 00	2,342 00
54	59	1,854 00	1,881 00	1,894 00	2,284 00
55	60	1,805 00	1,832 00	1,845 00	2,225 00
56	61	1,756 00	1,783 00	1,796 00	2,166 00
57	62	1,707 00	1,734 00	1,747 00	2,107 00
58	63	1,658 00	1,685 00	1,698 00	2,048 00
59	64	1,609 00	1,636 00	1,649 00	1,990 00
60	65	1,560 00	1,587 00	1,600 00	1,931 00
61	66	1,512 00	1,539 00	1,552 00	1,873 00
62	67	1,464 00	1,491 00	1,504 00	1,816 00
63	68	1,417 00	1,444 00	1,457 00	1,759 00
64	69	1,370 00	1,397 00	1,410 00	1,703 00
65	70	1,323 00	1,350 00	1,363 00	1,646 00
66	71	1,277 00	1,304 00	1,317 00	1,591 00
67	72	1,231 00	1,258 00	1,271 00	1,536 00
68	73	1,186 00	1,213 00	1,266 00	1,482 00
69	74	1,141 00	1,168 00	1,181 00	1,428 00
70	75	1,097 00	1,124 00	1,137 00	1,375 00
71	76	1,054 00	1,081 00	1,094 00	1,324 00
72	77	1,011 00	1,038 00	1,051 00	1,272 00
73	78	970 00	997 00	1,010 00	1,223 00
74	79	929 00	956 00	969 00	1,174 00
75	80	888 00	915 00	928 00	1,124 00
76	81	849 00	876 00	889 00	1,078 00
77	82	811 00	838 00	851 00	1,032 00
78	83	773 00	800 00	813 00	986 00
79	84	737 00	764 00	777 00	943 00
80	85	701 00	728 00	741 00	900 00
81		666 00	693 00	706 00	858 00
82		633 00	660 00	673 00	818 00
83		600 00	627 00	640 00	779 00
84		568 00	595 00	608 00	740 00
85		538 00	565 00	578 00	704 00

LIFE ANNUITIES—MALES AND FEMALES

Income payments for life annuitant. First payment a year, a half year, a quarter year or a month, respectively, after purchase.

Age Last Birthday		Annuity Purchased by $1,000			
Male	Female	Amount of Each Yearly Payment	Amount of Each Half-Yearly Payment	Amount of Each Half-Yearly Payment	Amount of Each Monthly Payment
50	55	$48.76	$24 06	$11 96	$3 97
51	56	49 95	24 64	12 24	4 06
52	57	51 23	25 27	12 55	4 16
53	58	52 55	25 91	12 87	4 27
54	59	53 94	26 58	13 20	4 38
55	60	55 40	27 29	13 55	4 49
56	61	56 95	28 04	13 92	4 62
57	62	58 58	28 84	14 31	4 75
58	63	60 31	29 67	14 72	4 88
59	64	62 15	30 56	15 16	5 03
60	65	64 10	31 51	15 63	5 18
61	66	66 14	32 49	16 11	5 34
62	67	68 31	33 53	16 62	5 51
63	68	70 57	34 63	17 16	5 69
64	69	72 99	35 79	17 73	5 87
65	70	75 59	37 04	18 34	6 08
66	71	78 31	38 34	18 98	6 29
67	72	81 23	39 75	19 67	6 51
68	73	84 32	41 22	20 39	6 75
69	74	87 64	42 81	21 17	7 00
70	75	91 16	44 48	21 99	7 27
71	76	94 88	46 25	22 85	7 55
72	77	98 91	48 17	23 79	7 86
73	78	103 09	50 15	24 75	8 18
74	79	107 64	52 30	25 80	8 52
75	80	112 61	54 64	26 94	8 90
76	81	117 79	57 08	28 12	9 28
77	82	123 30	59 67	29 38	9 69
78	83	129 37	62 50	30 75	10 14
79	84	135 69	65 45	32 18	10 60
80	85	142 65	68 68	33 74	11 11
81		150 15	72 15	35 41	11 66
82		157 98	75 76	37 15	12 22
83		166 67	79 74	39 06	12 84
84		176 06	84 03	41 12	13 51
85		185 87	88 50	43 25	14 20

interest at 5 per cent will be within the limit of the cash value on the next anniversary. The company may at its option defer granting a loan other than to pay premiums subsequent to the first, for not more than six months after it is requested. In the case of lapse, the contract if not surrendered for its cash value will be automatically continued as paid-up non-participating retirement income of reduced amount payable on the same terms as the regular income except that where the amount of reduced paid-up life income would be less than $5 a month, the cash value less indebtedness is paid instead and the contract is terminated. Such paid-up contract may be surrendered not later than maturity date for a cash value.

If the annuitant dies prior to maturity date, the then cash value is payable to the beneficiary. If the annuitant dies after maturity date and before all of the payments certain have been made, the remaining payments certain will be discounted at 2 per cent interest, compounded annually and paid in a single sum, unless otherwise provided by indorsement.

On or before the maturity date of the Retirement Income Contract, the proceeds arising from a claim by death or from surrender for cash, may be settled by any one of the optional Modes of Settlement generally allowed under policies of insurance, provided such proceeds are at least $1,000 and the guaranteed payment at least $10.

Other flexible features are the options of change to another maturity date; and privilege to change to any form, kind, or plan of insurance upon payment of such cost and furnishing of such requirements as are requested by the company.

In furnishing evidence of age, which is required before issuance of the Retirement Income Contract, as well as for the other contracts offered, statements or affidavits as to the date of birth, based on memory, even from relatives, are not sufficient. An official certificate from a record made at or near time of birth either of birth or baptism, giving the date of birth, is the best form of evidence.

Bibliography

E. C. Harwood and B. H. Francis: Insurance and Annuities from the Buyer's Point of View, 1935.

G. W. Fitch: What Everybody Wants to Know About Annuities, 1934.

ANNUITY BONDS

Bonds which represent permanent or perpetual obligations, without definite maturity date. Examples are the Perpetual Interest Bearing Certificates of the Public Service Corporation of New Jersey; also certain Lehigh Valley Railroad consolidated mortgage bonds which had an original maturity date of 1923 were converted by mutual agreement into Irredeemable, i. e., perpetual, obligations. Bonds with very long maturity dates for practical purposes might well be considered perpetual obligations.

ANTECEDENTS

A term used among credit men in making a credit investigation. The business history of the subject of inquiry is regarded as important in order to show the concern's rate of progress or retrogression, and it is particularly desirable to know the history of the concern's personnel and their record for responsible management. The credit investigator should determine whether the business has been under the control of the present managers for a long or short period and whether it has frequently "changed hands." In case the present personnel is new, it is desirable to ascertain what their previous or antecedent business connections were and with what success their operations were attended.

ANTEDATE

A check or other instrument is antedated when given a date prior to the current date; thus, if today is september 1, 1947, July 1, 1947, antedates today. The instrument is not rendered invalid because it is antedated or postdated (q. v.), provided this is not done for an illegal or fraudulent purpose.

ANTHRACITE

See Coal.

ANTHRACITE ROADS

The railroad companies, a large part of the tonnage of which consists in carrying hard coal. For 1946, the following railroads reported the highest proportionate freight revenues from anthracite coal: Reading Company; Delaware & Hudson; Lehigh Valley; New York, Ontario & Western; Central Railroad of New Jersey; Delaware, Lackawanna & Western; and the New York, Susquehanna & Western.

ANTICIPATED ACCEPTANCE

A bank or other acceptance which is paid before it becomes due. (See Acceptance.)

ANTI-TRUST ACT

A term which refers to the Sherman Anti-Trust Act of 1890, or to the Clayton Act of 1914. (See Clayton Act.)

APPLIANCES

See Bank Appliances.

APPLICATION

A general term to denote an offer to buy something or to enter into some kind of contract. For instance, applications are made for an allotment of bonds or stocks offered for sale by signing a subscription list or blank. Applications are also made for money orders, letters of credit, cable transfers, bank accounts, loans, participations in loans, etc. It should be understood that an application is merely an offer, and not an acceptance of an offer. Prior to acceptance, it does not, therefore, bind either party.

APPORTIONMENT

Generally, the division of a subject matter into proportionate parts. Specifically, in rent law, apportionment arises in two cases: (1) By New York statute, where a tenant for life, who shall have demised the real property, dies before the first rent day, or between two rent days, his executor or administrator may recover the proportion of rent which accrued to him before his death. (2) By New York statute, where an owner of land grants it to A for years, reserving rent payable at the end of each rental period, with the remainder to B for life, and then to C in fee, and B, the life tenant dies between rent days, B's personal representative may recover apportioned rent, but it must be collected by C, from whom the proportionate share of B may be collected by B's personal representative.

In apportionment of dividends as between the life tenant and remainderman, the New York rule for cash dividends and dividends in other assets, is the "rule of Matter of Osborne": (1) ordinary dividends go to the life tenant; (2) extraordinary dividends also go to the life tenant unless they impinge on the corpus of the trust as it was on the date of the testator's death. To the extent that they impinge on the corpus, dividends must be allocated to the corpus for the remainderman. By New York statute, for dividends payable in stock of the declaring company, the rule is that all such stock dividends go to the corpus for the remainderman.

APPRAISAL

The act of placing a value upon property, either real or personal. Appraisals are made for various purposes. e. g., taxation, adjustment by insurance companies of fire losses, by engineers for property to be offered for sale, by banks for determining collateral value, and by public utility commissions for determining the capital investment in public utility properties as a basis for adjusting rates to yield a reasonable return.

In appraising real estate for sale or mortgage loan purposes, the most important factors to be considered are: (1) value of similar adjacent property as established by recent sales; (2) capitalization of current net income from the property; (3) trend of income in the past five years; (4) likelihood of enhancement or deterioration of the property based upon the future of the district in which it is located.

APPRAISEMENT

See Appraisal.

APPRAISER

A person who makes an appraisal. In England, a professional appraiser is licensed and the statements of appraisal, called the appraisements, are subject to a stamp tax.
(See Appraisal.)

APPRECIATION

Increase in the capital value of any kind of property through a rise in its market price, excluding any income, e. g., interest, dividends or rents that may have accrued thereon. A stock purchased at 50 and having a present market price of 65 has appreciated 15 points. It is the opposite of depreciation although depreciation usually refers to deterioration or obsolescence of physical properties rather than to loss in value due to a decline in the market price. Bonds, stock or real estate may appreciate; a savings deposit cannot.

APPROPRIATION

A fund authorized and set aside by a business for some special use, e. g., advertising, new building, etc.

APPROVED BONDS

Although there is no such thing as a "legal list" of bonds for commercial banks as there is for savings banks, the regulation of the Comptroller of the Currency, effective July 1, 1938, has the effect of establishing bonds eligible for commercial bank investment, i. e., bonds in the so-called approved group, Group I, which are those in the first four rating groups—BBB or better—as rated by at least two of the three recognized rating agencies. Even for bonds of the lowest of the approved rating groups—BBB—a bank may be subject to criticism for buying too many as tending toward speculative investments. If a bond does not have a recognized rating, it may not be bought if of a predominantly speculative character. (See Comptroller's Regulation.)

ARBITRAGE

Buying a specified item—whether foreign exchange, stocks, bonds, gold or silver bullion, bills of exchange, and less frequently grains and other commodities—in one market and selling it immediately in another where the ruling price is temporarily higher. As applied to triangular or indirect transactions in foreign exchange for the purpose of making a profit by the purchase of a foreign currency in one market and selling in another, where the price is temporarily higher, an illustration is given for the purpose of clearness. Suppose that on a certain day French francs are selling in New York for 0.8395¢. Simultaneously sterling can be purchased in New York at $4.00 per pound, and francs in London at the rate of 50 francs per pound. The New York rate for francs purchased directly is 0.8395¢, but by first purchasing sterling it is then possible to buy 50 francs for $4.00 in London, making the cost of one franc, by this indirect process, 1/50th of $4.00, or 0.8¢. Thus a profit of 0.395¢ on each franc could be realized.

However, this illustration is more theoretical than real, as due to exchange restrictions and regulations in foreign countries, not to mention the freezing of foreign assets, normal foreign exchange transactions have been either suspended or seriously impaired in recent years.

Arbitrage may be transacted wholly within one country. Thus a New York broker may buy a security on the Philadelphia Stock Exchange at a lower price than the prevailing price of the same security on the New York Stock Exchange, for sale in New York. Similarly, arbitrage may be transacted wholly within one market, as where "when issued" prices of new securities, e. g., in railroad reorganizations, are out of line with equivalent prices for present securities; or when new securities issuable in connection with rights to subscription or exchange offers, are out of line with equivalent prices for present securities.

Profits through arbitrage would be impossible if the prices of the currencies, commodities or securities traded in, were delicately adjusted to exact parities. Through the operation of world markets, there is an international price level for the principal commodities, foreign currencies, and internation securities. Each local market, however, such as New York and London, is affected by temporary disturbances and conditions, destroying the normal equilibrium of supply and demand so that constant local changes in price occur. When permitted by exchange regulations,successful arbitrage transactions consist, therefore, of buying in a weak "world market" and simultaneously selling in another that is strong. It depends, also upon efficient telegraphic or cable connections between the markets operated in, a knowledge of international price movements, capacity to make rapid computations in order to take advantage of temporary price conditions, and finally, a large capital, because arbitrage profits are small in comparison with the amount of money involved. Arbitrage houses in widely separated markets must be in constant communication and keep each other informed on market prices and tendencies. Arbitrage transactions between two houses are usually conducted on a joint account basis, profits being equally divided between the engaging parties.

From an economic standpoint, the effect of arbitrage dealings is to correct maladjustments in the prices of commodities or securities. It is a force tending to equalize, i. e., establish parities among markets for the same commodity or security through competition of arbitrageurs. For instance, when prices in one market tend to sag, arbitrageurs will buy, and as a result of the increased demand, prices advance, until the equilibrium is restored. Conversely, when the prices tend to advance, arbitrageurs will offer freely, until prices recede to a point where sales are no longer profitable. (See Back Spread)

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ARBITRAGE HOUSE

A stock exchange house, private banker, investment banker, or a foreign exchange dealer, which specializes in arbitrage transactions. (See Arbitrage.)

ARBITRATED EXCHANGE

See Arbitration of Exchange.

ARBITRAGEUR

One skilled in arbitrage; an arbitrage dealer. Also spelled arbitrager. (See Arbitrage.)

ARBITRATION OF EXCHANGE

A calculation based on rates of exchange to determine the difference in value of a given currency in three different places or markets, particularly when

made with a view to determine the cheapest way of making a remittance between two countries. The result is called the arbitrated exchange, but this term is gradually being replaced by the term commercial parity. When three places are involved the calculation is called simple arbitration; when more, compound arbitration. (See Arbitrage.)

ARE

A measure of surface in the Metric System (q. v.).

ARGENTINE PESO

The monetary unit of the Argentine Republic. See: Foreign Moneys—Argentine Republic.

ARREARS

A debt or contingent obligation due but unpaid, such as past due instalments or rents and unpaid interest on bonds. Dividends on cumulative preferred stock which have not been paid are also said to be in "arrears."

ARRIVAL DRAFT

A draft with shipping documents attached, payable upon arrival of the shipment against which it is drawn. Arrival drafts are usually forwarded by the shipper to the collecting bank (presumably a correspondent of the shipper's bank) located at the domicile of the consignee, with instructions not to demand payment therefore until the goods for which the draft have been drawn in payment have arrived at the drawee's (consignee's) destination.

An arrival draft is usually drawn and forwarded for collection at the time the goods are shipped and consequently the draft invariably reaches its destination before the goods. An arrival draft is first presented upon receipt to notify the drawee of its arrival and where it is held for payment, so that when the shipment arrives (the consignee will be notified by an arrival notice from the transportation company), the drawee may take it up. In case the goods arrive before the presentation of the draft for notification, the draft becomes payable immediately.

An arrival draft provides a means of insuring payment for the goods against which it is drawn, before delivery. Shippers usually consign goods to their own order and in such cases the bill of lading must bear the shipper's indorsement. Since the transportation company will not release the goods without surrender of the bill of lading, and the collection bank will not surrender the bill of lading until the draft is paid, the shipper protects himself by retaining title until the goods are paid for.

Sometimes the drawee, before paying an arrival draft, will ask permission to inspect or even sample the goods. This is justified if the shipment is of a perishable nature and a delay in transportation has occurred. The right of inspection is conferred by the collection bank only if allowance of inspection or sampling is specified in the bill of lading. Otherwise it is necessary to wire the shipper or consult the shipper's local representative for instructions. If the consignee should reject the shipment, the shipper or the shipper's local representative is notified immediately and the goods are disposed of in accordance with instructions. (See Draft.)

ARTICLES OF ASSOCIATION

An instrument similar to a certificate of incorporation, but applied particularly to mutual, mutual-benefit, social, charitable and other non-stock corporations.

The execution of this instrument is usually the first official step in the organization of all types of banking institutions. In the case of national banks, a form is furnished by the Comptroller of the Currency. This requires a recital of such facts regarding the proposed bank as title, location, capital stock, number of directors, date of annual meeting, powers of directors, etc. The articles must be signed by the applicants (at least five) and prepared in duplicate, one for the Comptroller and one for preservation in the files of the bank. (See Bank Organizations, Organization Certificate.)

AS PER ADVICE

Where they occur in a letter or upon a draft or bill of exchange, these words indicate that notice has, or is to be given, to the drawee that the draft has been drawn.

ASIATIC CURRENCY

Currencies of Asiatic countries. Several of these countries, e. g., China and India are large users of silver for monetary purposes. Consequently, rates of exchange fluctuate in accordance with credit and trade influences and the gold price of bar silver, and are never fixed.

ASKED PRICE

The price at which a security or commodity is formally offered for sale on one of the exchanges. Bid and asked quotations for stocks and bonds are quoted in the daily newspapers as indicative of the prices at which such securities can presumably be sold or purchased. In the case of bankers' acceptances, bid and asked prices are in terms of rates of interest. The dealer may quote, for example, 120-day bills "1 1/8% bid, 1 1/16% asked", meaning that he will buy the bill on a 1 1/8% basis, and sell on a 1 1/16% basis.

ASSAY

A test to determine the per cent. of pure metal in a specimen of ore or bullion. An assay report indicates that a certain gold ore submitted for analysis will yield, say $14, $50 or $600 of pure gold per ton, or that certain bullion is .985 fine.

ASSAY OFFICE

A laboratory for testing metals and ores, usually gold and silver. Official assay offices are located at New York, N. Y. and Seattle, Washington, and are part of the organization of the Bureau of the Mint, which also includes coinage and metal offices located at Philadelphia, Denver and San Francisco; gold bullion depository at Fort Knox, Kentucky; and silver bullion depository at West Point, N. Y. The only assay office that assays ores is the Seattle, Washington office, which charges a scale of fixed fees for assaying the sample according to the nature of the ore. Assay offices also receive bullion (since 1934 only imported

or newly mined bullion), payment for which is made on the basis or the mint price less melting, parting and refining charges. (See Coinage, Mint.)

ASSAY OFFICE BAR

A bar of pure or nearly pure gold or silver manufactured at a mint and assayed by a Government assay office. The term commercial bar is given to those assayed by a private assayer.

ASSENTED SECURITIES

Securities the owners of which have agreed to some change in their status, especially in case of reorganization where an assessment is made or the amount of securities is scaled down according to some definite plan. The stock certificates of stockholders who have paid their assessment would be stamped "assessment paid" or "assented."

ASSESSABLE

See Non-Assessable.

ASSESSED VALUATION

The valuation placed upon real or personal property for purposes of taxation, but the term usually refers to the taxable value of real estate. The rules for fixing assessed value vary in the different states; sometimes they are based upon full marketable value, but more often less, e. g., two-thirds or one-half.

Since the debt limit of most municipalities is prescribed by law, the assessed valuation of the property of a borrowing municipality is important as indicating its borrowing power. Investment bankers and investors who buy municipal bonds should ascertain the proportion of debt to assessed valuation in order to determine whether the debt is excessive. Usually these statistics are exhibited in circulars offering municipal bonds.

ASSESSMENT

A levy upon the security holders of a corporation for the purpose of raising additional capital in the case of financial difficulties, such as threatened or actual insolvency, or in a reorganization. (See Double Liability, Non-Assessable.)

ASSESSOR

One who appraises or assesses the value of property, e. g., a tax assessor.

ASSET CURRENCY

Same as General Asset Currency (q. v.). (See Baltimore Plan.)

ASSETS

An accounting term to signify properties and claims against others, owned by a business or individual, as distinguished from debts or other obligations due to others. Assets are classified as fixed, current and deferred, and as tangible and intangible. A balance sheet is a statement of assets, liabilities and capital (including surplus or deficit). (See Balance Sheet, Current Assets, Fixed Assets, Intangible Assets, Tangible Assets.)

ASSET VALUE

The term particularly applied to book value or equity value of investment companies (so-called "investment trusts"), and generally expressed on a per share basis. (See Book Value, Equity, Liquidating Value.)

ASSIGNATS

A name given to paper money authorized to be issued in 1789 by the revolutionary French Government. They were non-interest bearing notes, which originally were secured by the confiscated properties of the Church and were typical example of fiat money. Successive issues were authorized and issued in such volume without security that they depreciated rapidly, and in the end became valueless. (See Inflation.)

ASSIGNED BOOK ACCOUNTS

Book or open accounts of a business, the title of which has been transferred to a commercial credit company or to a bank as collateral for a loan. This is a type of commercial loan which has been receiving increased attention from commercial banks, as compared with its low regard in past years, in view of the satisfactory experience of finance companies with this type of business under proper legal safeguards and operating supervision. Where State banking laws prohibit the actual purchase of accounts receivable, because they are choses in action, and only permit loans on the accounts, such loans can be made secured by the assignment of the accounts, together with agreement for repurchase or substitution of accounts in default, provision for repayment out of collections, and other safeguards, lending either against individual accounts or under revolving loan agreement, either on the notification or non-notification of debtors basis. The notification type is preferred, as it makes better collateral.

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ASSIGNEE

One to whom property, or rights to, or interest in property have been assigned, either as an individual or trustee.

ASSIGNMENT

A transfer in writing of a right, claim or interest. Definite rules have been formulated by stock exchanges to govern the transfer (assignment) of stock. (See Assignment in Blank, Assignment for the Benefit of Creditors, Good Delivery, Stop Transfer Order.)

ASSIGNMENT FOR THE BENEFIT OF CREDITORS

An act by which an insolvent person or company (assignor) transfers title to property to a trustee (assignee), who is empowered to administer and liquidate the property and to distribute the proceeds to the creditors.

ASSIGNMENT OF CLAIMS ACT

An act approved Oct. 9, 1940 "to assist in the national defense program by amending Sections 3477 and 3737

of the Revised Statutes to permit the assignment of claims under public contracts'' (Public No. 811, 76th Congress). Such assignment of claims allow manufacturers to assign the contracts as security for borrowings from banks needed for defense plant construction.

Accordingly, a new form of uniform bankable contract was developed by the National Defense Advisory Commission (q. v.) after consultation with the War and Navy Departments and Comptroller General. This contract has two purposes: (1) to expedite signing of supplies contracts by the Army and Navy by assuring the contractor against loss on construction undertaken for military purposes; (2) to safeguard the Government's interest in such facilities on termination or completion of the contract.

The contract provides that the Government reimburse the contractor not in additions to the unit price, as previously, but in five equal annual installments covering the amount of his capital expansion costs. Thus, cost of supplies and amortization of construction cost would be kept separate. Prices are held at a minimum, and while the manufacturer is relieved of the risk involved in building fixed assets for the emergency, he still absorbs the risks involved in production. The contract also contains provisions whereby the contractor may by purchase or lease from the Government acquire use of the facilities for himself after they have served their emergency needs.

ASSIGNMENT IN BLANK

A formal transfer of title to stock or registered bonds on the reverse of the certificate in which the space for the insertion of the name of the new owner is left blank so that the name may be written in at any subsequent time. A stock certificate or a registered bond assigned in blank should not be purchased from an unknown person without proper identification and evidence of genuineness of the signatures of the assignor and witnesses. Street certificates (q. v.) are assigned in blank.

The following is a form of assignment on the reverse side of a stock certificate which has been approved by the Committee on Stock List of the New York Stock Exchange:

For value received.....
hereby sell, assign and transfer unto.....
.....
shares of the capital stock represented by the within certificate, and do hereby irrevocably constitute and appoint.....
attorney to transfer the said stock on the books of the within named company with full power of substitution in the premises.
Dated..... .....
In the presence of .....

Note—The signature of this assignment must correspond with the name as written on the face of this certificate in every particular without alteration or enlargement or any change whatever.

Such an assignment is a means of transferring title of stocks from a seller to purchaser, assignment being the method of negotiating stocks, whereas indorsement (and delivery) is the method of negotiating checks, drafts, money orders, and other order negotiable instruments.

For assignment separate from the stock certificate, the following form is approved by the New York Stock Exchange:

For value received.....hereby sell, assign and transfer unto..... .....
.....( ) Shares of the .....
Capital Stock of the .....
standing in .....name
on the books of said ....
represented by Certificate No.....
herewith and do hereby irrevocably constitute and appoint.....
attorney to transfer the said stock on the books of the within named Company with full Power of Substitution in the premises.
Dated.....
....

For assignment separate from the registered bond, the following form is approved by the New York Stock Exchange:

For value received.....hereby sell, assign and transfer unto.....
one bond of the.....
for.....($) ,
No.....herewith, standing in
.....name on the books of said.....and do hereby irrevocably constitute and appoint.....
.....attorney to transfer the said bond on the books of the within named company, with full power of substitution in the premises.
Dated.....
.....

ASSIGNOR

One who makes an assignment. (See Assignment, Assignment for the Benefit of Creditors, Assignment in Blank.)

ASSIMILATE

An expression to denote that the demand for securities is sufficient to absorb offerings without appreciable decline in prices. (See Absorb, Digested Securities.)

ASSOCIATED BANKS

Banks which are members of the same clearing house association.

ASSOCIATION

See Voluntary Association.

ASSUMED BONDS

Bonds of one corporation taken over by another. When one corporation purchases, exchanges its shares for those of another, or gains control of another through lease or ownership of majority of the stock, it usually assumes the latter's debts and, therefore, its bonds, e. g., a parent company assumes the bonds of a newly acquired subsidiary. In railroad finance, assumed bonds are usually divisional bonds, i. e., the bonds of smaller companies acquired and operated as divisions.

Assumed bonds are sometimes improperly called guaranteed bonds. This is a wrong designation unless the bonds are indorsed by the parent company, which, however, is responsible for payment of both principal and interest without indorsing them.

ASSURANCE

A term still used for the life coverage provided by contracts of life insurance companies, as contrasted with "insurance" for contracts of fire and casualty insurance companies. Formerly, the term was often used for "insurance", especially in maritime law. (See Insurance.)

AT CALL

On call. (See Call Money, Call Money Market.)

AT OR BETTER

A term used in connection with brokerage orders. In connection with a buying order, it means to purchase at the price specified or under; in a selling order, to sell at the price specified or above.

AT SIGHT

A term used in drafts and bills of exchange, indicating that payment is due on demand or presentation.

AT THE MARKET

A term used in reference to an order left with a broker for execution at the best available price. No price limit is specified, but it is presumed that the order will be executed at a price fractionally close to the last sale. Such an order is immediately communicated to the floor trader. (See Orders.)

AT THE OPENING

A term used in reference to an order placed with a broker specifying "at the opening" or "at the opening only", for execution at the opening of the particular security involved. No price limit is specified. If the order is for the purchase or sale of an odd lot, however, it must be executed at one-eighth of a point above or below the opening price for a full lot.

AT THREE DAYS

A term which refers to one of the methods of trading in issued stocks on the New York Stock Exchange. Under Rule 109 of the Exchange, bids and offers in stocks admitted to dealings on an issued basis shall be made on (1) cash basis, (2) regular way, and (3) seller's option, i.e., for delivery within the time specified in the option, which time shall be not less than 3 days nor more than 60 days. (See Methods of Trading.)

ATTACHMENT

A writ authorizing the seizure, or the act of seizure itself, by a sheriff or other executive officer of the law, of property belonging to the defendant in an action at law, and the holding of it, or prevention of holding it by the defendant, in order to satisfy a claim or judgment that plaintiff hopes to recover. An attachment is a legal means used by a creditor to circumvent loss that may occur by an act of a debtor, e. g., fraud or misrepresentation in obtaining credit, insolvency while goods are in transit, assignment to a third party, removal, actual or contemplated removal of the person or property of the debtor from the jurisdiction of the court, and also as a means of collecting a claim or judgment granted or decreed by a court. It is usual to require the creditor to furnish bond for double the amount involved should the attachment subsequently be vacated as illegal or improper. By its very nature, a writ of attachment is a provisional remedy for an emergency situation.

ATTESTATION

The formal witnessing of a signature, or signatures, on documents which require it.

ATTORNEY, POWER OF

See Power of Attorney.

ATTORNEY'S OPINION

See Legal Opinion.

AUCTION

A special market in which there is one seller and many buyers. An auction sale is conducted by an auctioneer who permits buyers to bid against one another, the goods going to the highest bidder. The entire public without discrimination is invited to participate. In an honest auction goods are sold regardless of cost, unless the seller reserves the right to reject all unsatisfactory offers, and the final price is determined by the value of the article to the successful bidder. Auctions are usually conducted for the purpose of selling out the property of the estate of a deceased person or in liquidating an insolvent business. Auction terms are usually spot cash for immediate delivery. Auction prices are sometimes referred to as liquidating prices, "forced sale," or "under-the-hammer" prices.

An auctioneer is not required to accept a bid. He invites bids from the persons present at the sale, but no bid becomes a binding sale contract until accepted by him. The auctioneer does not make an offer; he merely invites them.

Herewith are typical conditions of sale at an advertised auction:

1. The highest bidder to be the buyer, and if any dispute arise between two or more bidders, the lot so in dispute shall be immediately put up again and resold.
2. Any bid which is not commensurate with the value of the article offered, or which is merely a nominal or fractional advance, may be rejected by the auctioneer if in his judgment such bid would be likely to affect the sale injuriously.
3. The purchasers to give their names and addresses and to pay down a cash deposit, or the whole of the purchase money, if required, in default of which the lot or lots so purchased to be immediately put up again and resold.
4. The lots to be taken away at the buyer's expense and risk upon the conclusion of the sale, and the remainder of the purchase money to be absolutely paid or otherwise settled for to the satisfaction of the Auctioneer, on or before delivery; in default of which the undersigned will not hold themselves responsible if the lots be lost, damaged or destroyed, but they will be left at the sole risk of the purchaser.
5. The lots to be taken away and paid for, whether genuine or authentic or not, with all faults and errors of description, at the buyer's expense and risk, within

two days from the sale; the auction company not being responsible for the correct description, genuiness or authenticity of, or any fault or defect in any lot, and making no warranty whatever.

6. Receipted bills: goods will be delivered on presentation of a receipted bill. A receipted bill presented by any person will be recognized and honored as an order by the buyer, directing the delivery to the bearer of the goods described thereon. If a receipted bill is lost before delivery of the property has been taken, the buyer should immediately notify the auction company of such loss.

7. To prevent inaccuracy in delivery and inconvenience in settlement of the purchases, no lot can on any account be removed during the sale.

8. If, for any cause, an article purchased cannot be delivered in as good condition as the same may have been at the time of its sale, or should any article purchased thereafter be stolen, or misdelivered, or lost, the undersigned is not to be held liable in any greater amount than the price bid by the purchaser.

9. Upon failure to comply with the above conditions, the money deposited in part payment shall be forfeited; all lots uncleared within the time aforesaid shall be resold by public or private sale, without further notice, and the deficiency, if any, attending such resale, shall be made good by the defaulter at this sale, together with all charges attending the same. This condition is without prejudice to the right of the auctioneer to enforce the contract made at this sale, without such resale, if he thinks fit.

10. Unless the sale is advertised and announced as absolute and unrestricted, owners reserve the right to bid.

11. All claims must be made within 10 days after sale.

12. Shipping, boxing or wrapping of purchases is a business in which the undersigned is in no wise engaged, and will not be performed by the undersigned for purchasers. The undersigned will, however, afford to purchasers every facility for employing at current and reasonable rates carriers and packers; doing so, however, without any assumption of responsibility on their part for the acts and charges of the parties engaged for such service.

13. Records: the records of the auctioneers and the auction company are in all cases to be considered final, and the highest bid shall in all cases be accepted by both buyer and seller as the value against which all claims for losses or damages shall lie.

14. In lots where quantities are specified, articles are sold at so much each.

AUDIT

An examination of the books and records of a business to determine: (1) the financial status culminating in the balance sheet, and (2) the results of operations culminating in the profit and loss statement. There are three principal kinds of audits—balance sheet audit, cash audit and detailed audit. The first involves a verification of the assets and liabilities, a cash audit tests the accountability of one who has cash or funds in his custody, while a detailed audit involves a complete examination and verification of all the accounts, books, records and transactions in detail. While the final result of an audit is the disclosure of the financial status, as exhibited by the financial statements, there are several incidental purposes, e. g., to test the accuracy of the bookkeeping, to prevent recurrences of errors or fraud, to insure against over-valuation of assets and under-valuation of liabilities, and to determine improved methods of expediting clerical and bookkeeping procedures. In an audit, the books and records are examined, not only to test their arithmetical accuracy, but to test their agreement with the physical existence of assets, collateral against loans, special deposits, etc. An audit should also disclose any possible defalcation or misappropriation or conversion of funds.

Banks audits may be conducted by professional public accountants, by directors of the bank, or by the staff auditor of Auditing Department (q. v.). Audits conducted by official bank examiners are known as examinations. (See Bank Examinations.)

AUDITING

See Audit, Auditing Department.

AUDITING DEPARTMENT

The department of the bank which supervises the bookkeeping, accounting and auditing functions, usually in charge of an officer known as Auditor (q. v.). The purpose of this department is to secure a daily control of all transactions occurring in each department by condensing the department proofs; to secure periodical reconcilements of customers' accounts and to make investigations of errors and exceptions reported; to analyze expenses and earnings; to conduct examinations of the departments having custody over the bank's assets to secure two results: (a) to verify the physical existence of the assets as reported upon the books; (b) to appraise these assets as a safeguard against possible over-valuation; to secure an independent accounting control over each department in order to test the accuracy of its records; and to compile various reports and statements of condition as may be required by the bank's officers, official bank examiners, Comptroller of the Currency, or State Banking Department. As usually organized this department combines with auditing the functions of comptrolling.

AUDITOR

One who conducts an audit. (See Audit, Auditing Department, Certified Public Accountant, Bank Examiners.)

AUTARCHY

Also spelled Autarkie, and Autarchie, a term of European, and especially German, origin, meaning national economic self-sufficiency or self-containment. A nation has applied the principle of Autarchy when it endeavors to provide for all, or as much as possible, of its home needs by means of its domestic raw material resources, technical equipment and labor. Absolutely applied, a nation would neither export or import, but would become an autonomous economic unit, relying entirely upon itself. Autarchy, however theoretically desirable as a defensive measure, as during a war, is practically impossible of attainment since no nation possesses the natural resources and climatic conditions to produce the variety of finished products essential to civilized life. Autarchy is an expression

of extreme nationalism, or of nationalistic idealism, and exists more in its breach than in its observance.

AUTHORITY TO PURCHASE

An instrument used as a substitute for the commercial letter of credit. A foreign shipment may be financed by the importer, either through a letter of credit or an authority to purchase. The former instrument vests the exporter with the right to draw drafts upon a bank. On the other hand, an authority to purchase instructs the shipper to draw his draft upon the importer directly, but assures him that the draft will be purchased by the notifying bank.

An authority to purchase applies almost exclusively to Far Eastern commerce, especially intra-Chinese transactions, or to facilitate exports from the United States to the Far Eastern countries. They are practically always issued in dollars. The follow the same differences as letters of credit as to (1) tenor of drafts, (2) documents required, (3) form of currency and (4) privilege of cancellation.

The following is a form of authority to purchase:

No.....

AUTHORITY TO PURCHASE

The.....Bank
Shanghai.....19..

To.....
.....

Dear Sirs:

We hereby authorize you to negotiate to the debit of our account, the drafts drawn by .....
on.....of.....at.....
sight, up to the aggregate amount of.....
against shipment of....., to.....
Insurance against all risks is to be effected by the shipper, unless otherwise instructed.

Drafts are to be made out in duplicate and to contain the clause "with interest added at the rate of .....% per annum from date hereof to approximate date of receipt of remittance in....." and to be accompanied by a full set of Bills of Lading, or Parcel Post Receipts, or Insurance Policies (all made out or indorsed to the order of the .....Bank), and invoices of goods shipped for the amount of such drafts.

Drafts drawn under this Authority to Purchase must also state that they are "Drawn under.....Bank, A/P No....., dated.....19....."

This authority remains in force till .....19..., and is subject to Revocation or Irrevocable without the consent of the beneficiaries.

(See Letters of Credit.)

AUTHORIZED BONDS

The amount of bonds which a corporation, state or municipality may legally issue. Corporations are not required to issue at one time the entire amount authorized. A part of the bonds authorized may be held awaiting the need for additional capital. Power to issue bonds usually is fixed by the corporate by-laws and usually requires a two-thirds vote of the stockholders. In the case of public utility and railroad corporations bonds cannot be issued without the permission of the local Public Service Commission, or Interstate Commerce Commission, respectively. A state or municipality is usually not permitted to issue bonds in excess of the debt limit fixed by law. This limit is usually based upon the total assessed valuation of the property. (See Bond.)

AUTHORIZED CAPITAL STOCK

The amount of capital stock which a corporation is authorized to issue according to its charter or certificate of incorporation. A corporation is not required to issue the entire amount of stock authorized. The difference between the authorized stock and that issued and outstanding is called unissued stock. Stock may be issued for cash, labor done or property actually received for the use and lawful purposes of the corporation, or disbursed as stock dividends, but it must not be issued for a consideration less than its par value if it has one, or less than a minimum value fixed by law, if it has no par value. A corporation may change its authorized capital stock, but only by amendment to its certificate of incorporation. (See Capital Stock.)

AUTOMATIC CURRENCY

Another term for Elastic Currency (q. v.).

AVAILABILITY DATE

First read Federal Reserve Check Collection System. The date upon which the proceeds of checks or other items drawn on out-of-town banks, and forwarded by the sending bank for collection through the Federal Reserve check collection system, are received and credited by the Federal Reserve bank to the reserve account of the sending bank. Each Federal Reserve bank publishes a "Schedule Showing When the Proceeds of Items Will Become Available," covering every point in the United States, so that member or clearing member banks sending checks for collection through a Federal Reserve bank may know on what days such checks will be credited to their reserve accounts.

AVAILABLE ASSETS

Free or unhypothecated assets; assets which may be sold or otherwise employed, because not loaned, pledged as collateral against a loan, or otherwise covered by lien.

AVAILABLE FUND (s)

(1) A fund held by non-stock savings bank in cash or on deposit with another bank or trust company for the purpose of paying withdrawals in excess of current receipts, for meeting current obligations, or for awaiting a more favorable opportunity for investment. In New York state this fund is limited to 20 per cent. of deposits.

(2) Total available funds of a bank at any time for conversion into earning assets or other investment are not only its deposits but its total capital funds and any borrowed money as well.

AVAILS

See Net Avails

AVERAGE

In ocean shipping, this term refers to the loss or damage sustained by a ship or its cargo, or to the amount payable by the owner of the ship and the owners of the cargo to make good such loss or damage.

Average is of two classes—particular and general. A particular average is borne entirely by the owner, or his insurer, of the particular property which is lost or damaged, whether a part of the ship or of its cargo. The loss of or damage to any particular property cannot be assessed among all the cargo owners. A general average, however, is one incurred in the common interests of the ship and cargo, and is borne by all the parties interested in the ship and cargo in proportion to such interests as ascertained by persons known as average adjusters. Jettison (throwing overboard a certain part of the cargo in order to save the rest) is a loss that would be defined as a general average. (See Dow-Jones Averages, Market Averages, Stock Price Averages.)

AVERAGE ADJUSTER

See Average.

AVERAGE BALANCE

In the case of a borrowing account, the average balance against loans or line of credit is the principal determinant of account profitableness for a bank, similar to minimum free balance in the case of a checking (non-borrowing) account. Customarily, banks request borrowers to keep on deposit about 20% of his borrowings, in order to maintain a relative proportion between manufactured credit and cash balances and to provide for cash withdrawal needs of other borrowing customers. (See Line of Credit, Twenty Per Cent Rule.)

AVERAGE BOOK

See Average Loan and Balance File.

AVERAGE LOAN AND BALANCE FILE

A card file or book customarily kept by banks to show each customer's average daily or monthly loans and deposits over a period of, say, ten years. The information posted on these cards is obtained from the depositors' ledgers and the loan and bills discounted ledgers. It furnishes a quick and convenient means of obtaining important information concerning depositors' accounts, e. g., (1) amount of average deposits and loans as a measure of profitableness, (2) to determine the average balance as a measure of possible borrowing power when applying for a loan, (3) to determine whether the average balance is in proportion to loans (usually a 20 per cent. average balance is required to be maintained against loans), and (4) to determine whether the deposit balance is increasing or decreasing. (See Central File.)

AVERAGE RESERVE POSITION

See Reserve.

AVERAGES

See Dow-Jones Averages, Index-Numbers, Price Composites.

AVERAGING

A method used by stock market speculators to reduce the cost of purchases. Averaging down means to buy more stock of a given issue at a price less than the last purchase successively as the price declines. Averaging up means to buy more of a given security at successively higher prices as prices advance. This method is employed out of recognition of the fact that the high and low points of a movement cannot be exactly predicted. Averaging is, therefore, a method of insurance against altogether missing the market.

AWARD

In general, the written decision of a court, board of arbitrators or judges, referees, investigators, or commission, on the case, question, or matter that has been submitted to them for decision.

The acceptance of a bid to buy a block of securities. Bond issues, particularly municipal bonds, are frequently offered for sale to competitive buyers under sealed bids. This term is generally used to indicate the formal acceptance by the proper authorities of the offer to purchase by the investment banker or bond house which has been the successful bidder.

BABY BONDS

Bonds of denominations of $10, $25, $50 and $100, issued as a means of widening the investment market and to permit increased diversification.

BACK

An abbreviated term for Backwardation (q. v.).

BACK SPREAD

First read Arbitrage.

A term used in arbitrage transactions in securities, commodities, or foreign exchange, when the price of the same thing in different markets is less than the normal difference. Suppose, for example, United States Steel is selling on the New York Stock Exchange at $90 and on the London Stock Exchange at $93, the difference in the quotations representing a permanent difference due to cost of shipment, insurance, exchange rates, loss of interest, etc., to make them equivalent, or to establish commercial parity. Assuming three points to be the normal difference in quotations for this stock as between these two markets, no profit could be made by buying in New York and selling in London, or vice versa. If, however, the London quotations should be less than $93, say, $91, making the difference less than normal, a profit could be made by buying the stock in London and selling simultaneously in New York. Such a transaction is known as a Back Spread.

A back spread differs from a spread in that in the latter the difference in price between two markets is greater than the normal difference. (See Spread.)

BACKWARDATION

A term applicable to a practice of delaying settlement on the London Stock Exchange. Suppose a speculator who has sold stock for delivery at the next Fortnightly Settlement (q. v.) wishes to postpone the delivery until the following settlement period because of his belief that the price of the security will in the meantime decline, and accordingly arranges with his broker to postpone delivery. This is secured either through obtaining the consent of the purchaser to delay delivery for a consideration, or by borrowing the stock from someone else. The consideration or charge made by the purchaser or lender of the stock for the privilege granted to the seller by extending the time of delivery is called Backwardation.

On the other hand in the reverse situation, when the speculator who has bought stock desires to postpone delivery, the charge made for the accommodation is called a contango. This charge based on the interest on the amount of the transaction during the period between the settlement days is made because the seller must wait till the next settlement for his money. Backwardation is paid by the seller, while contango is paid by the buyer.

BAD DEBTS

In commercial usage, uncollectible accounts; receivables whether evidenced by overdue open book accounts, or notes which are irrecoverable. Bad debts usually arise through the inability to meet current obligations or insolvency of the debtor, and provision for these losses should be made by setting up a reserve.

In banking usage, bad debts are bad loans which arise through the failure of makers or indorsers to pay at maturity notes or drafts which they have signed. Notes not paid at maturity are protested and usually turned over to the legal department for enforcement of payment. In the meantime, they are charged to Bills Overdue account. The bank then has the problem of "working out" these loans to obtain maximum possible recovery, involving such measures as foreclosure, sale, retention for reasonable period of time before sale, taking over additional security of the debtor to avoid loss, etc. If after exhausting these recovery measures, there remain some balance due on the bad debt, it is the net loss on the item. In treating these charge-offs, many banks fully charge off the bad debt upon default, by allocating a portion of the Contingent Reserve for the purpose, most banks not disturbing Undivided Profits directly. Thus, when net recoveries are eventually realized, they are available for credit either to Contingent Reserve or directly to Undivided Profits.

The National banking laws (Sec. 5204 Revised Statutes) define bad debts to be those on which interest is past due and unpaid for a period of six months, unless well secured, and in process of collection. Bad debts thus defined must be deducted from profits. (See Bills Discounted, Overdue Bills, Recovery.)

BAD DELIVERY

In the sale and transfer of stock certain conditions are imposed by the rules of stock exchanges. These rules relate to days and hours of delivery, assignment of stock, power of attorney, etc. If deliveries are made without the proper observance of these rules, they are known as Bad Deliveries. What constitutes a good delivery is explained under Good Delivery (q. v.)

BAD LOANS

See Bad Debts

BAHIAS

One of the three standard growths of cocoa.

BAILEE

One to whom personal property is delivered for some temporary specific purpose, upon completion of which it is to be returned to the owner. The bailee has temporary possession of such goods entrusted to him, but has only a limited property interest. A railroad company which receives a shipment of goods for transportation under a contract of bailment, called the bill of lading, is a bailee. Warehousemen who accept property for storage are also bailees, the contract of bailment being a warehouse receipt.

Safe deposit companies which receive the valuables of customers for safe-keeping act as bailees, and as such have a lien on the property deposited in case rentals are not paid after a specified time. While the laws in the various states differ, as a rule if the rental on a safe deposit box is not paid for two years, notice may be sent to the renter that, if not paid before, the contents will be

sold in 30 days for payment of the rent.

Where a bank or trust company acts as custodian of securities, it is a bailee.

BAILEE RECEIPT

A receipt given to a bank holding title to goods by a bailee, a customer of the bank who is permitted to sell them for the account of the owning bank. A bailee receipt is often used in lieu of a Trust Receipt (q. v.), given upon release of documents covering imports for the purpose of warehousing, selling or manufacturing. The trust receipt has proved to be inadequate collateral and only as good as the credit standing of the signer. It has often failed the banks in pressing claims against third parties who have purchased goods from the borrower. In releasing shipping documents so that imports may be procured at the steamship terminal, and sold in advance of the maturity of the draft drawn against the bank, banks sometimes require customers of doubtful standing to sign a bailee receipt. This instrument is regarded as more stringent that the trust receipt and is supposed to offer the bank greater protection. The opinion has been expressed, however, that a trust receipt is a priori a bailee receipt and that legally no difference exists between the two instruments.

The following is a typical form of bailee receipt:

Received from the .....Bank, solely for the purpose of selling the same for account of said bank, the following property, marked and numbered as follows:

.....

and ..... hereby undertake to sell said property for account of said bank, and collect the proceeds thereof and deliver the same immediately upon receipt to the said bank in whatever form collected to be applied to the credit of....., hereby acknowledging.....to be bailee of said property for the said bank, and.....
do hereby assign and transfer to the said bank the accounts of the purchasers of said property to the extent of the purchase price thereof, of which fact notice shall be given at the time of delivery of said property by .....to said purchaser or purchasers, and all invoices therefor shall have printed, written or stamped thereon the following: "Transferred and payable to the ....Bank."

If said property is not sold and the proceeds so deposited within ten days from this date,.....undertake to return all documents at once upon demand or to pay the value of the goods at the bank's option.

The said goods while in our hands shall be fully insured against loss by fire for the benefit of the bank.

The terms of this receipt and agreement shall continue and apply to the merchandise above referred to, whether or not control of the same or any part thereof be at any time restored to the .....Bank and subsequently delivered to us.
(See Trust Receipts.)

BAILMENT

The deposit of personal property by a bailor with the bailee for a specific purpose, such as safe custody, transportation, or storage. (See Bailee.)

BAILOR

A party who bails or delivers another (the bailee) for a specific purpose under contract of bailment. (See Bailee, Bailment.)

BALANCE

The sum necessary to equalize the debit and credit totals of an account. A debit balance is the excess of debits over credits, and a credit balance is the excess of credits over debits. (See Bank Balance.)

BALANCE OF TRADE

The difference between the money value of a nation's commodity exports and imports as shown by the Customs' Reports. It usually applies to a nation's trade with all other nations, although sometimes to the balance of trade with a specified nation, e. g., England. Balance of trade is not to be confused with international balance of payments (q. v.), a more inclusive term which attempts to cover all international transactions, and which includes not only net merchandise balance of trade, but also net flow of payments for services (shipping, travel, remittances, interest and dividends, and other such as merchandise adjustments, war debt receipts, Government transactions and miscellaneous), and not capital movement.

If the annual commodity exports of the United States are eight billions a year and imports five billions, the difference of three billions is the balance of trade, or more accurately, balance of international trade, and is said to be favorable. When imports exceed exports, the balance of trade is unfavorable. From a strictly economic aspect, there is nothing evil in an unfavorable balance of trade for creditor nations, provided they have an adequate gold supply. Nations that have foreign obligations to meet, e. g., bonds floated in foreign countries, or which have inadequate gold reserves, should export an excess of commodities. The so-called unfavorable balance of trade idea, therefore, is wholly relative. The great creditor nations normally have an excess of commodity imports. When the money values of commodity exports and imports are not in balance, the difference is paid or remitted in some other kind of value. One of the chief mediums used in settling foreign balances is gold, although the purchase of securities, money remittances, payment of ocean freight and insurance charges, and other invisible imports also assist in settling balances with foreign countries. (See Foreign Exchange, Foreign Trade, Gold Movements, Invisible Imports, International Balance of Payments.)

BALANCE SHEET

An itemized statement, known also as a Financial Statement, Statement of Assets and Liabilities, Statement of Resources and Liabilities, Statement of Condition, and simply Statement, showing the nature and amount of the assets, liabilities and net worth of a business as of a given date. From an accounting standpoint a balance sheet is a schedule of balances of the real accounts taken off the ledger after the nominal accounts have been closed. It is an instantaneous photograph or cross section of the affairs of a business, which discloses the equities of the various classes of owners in the net asset value or net worth.

A balance sheet is prepared primarily for the information of the proprietors or managers, and in this respect, "the purposes of the balance sheet are twofold. Primarily it shows the financial status of the concern, giving information as to its solvency, and in a less de-

gree it exhibits profits which have been made. The first purpose is on the face the most evident one. The balance sheet shows a cross section of the business, it presents the status at a given moment of time; it is ostensibly a showing of assets and liabilities, not of income and expenses. Yet the balance sheet is not without value as an exhibit of profits. Prepared, as it ordinarily is, at annual intervals, it serves, at least by comparison, to show the flow of income during the period, as well as the financial status at the moment of its preparation." (H. R. Hatfield, Modern Accounting).

Among corporations the interim unaudited balance sheet is intended for the managers (board of directors and officers) rather than for the owners (stockholders). The latter usually receive an audited balance sheet in the annual report of the business, and in this connection, the balance sheet becomes a report of accountability of the managers to the stockholders. The balance sheet enables the managers (board of directors and officers) and owners (stockholders) to see whether the original investment has been kept intact, and whether additions have been made thereto, or losses sustained. By exhibiting the present financial status it discloses, by comparison with previous balance sheets, the results of past operations. It also enables the managers or owners to plan future policies and to control the assets and liabilities so as to increase the investment and equity of the owners.

While the primary purpose of a balance sheet is to furnish useful information concerning the business to its proprietors, it has several miscellaneous functions. Balance sheets are almost universally used as a basis for commercial and mortgage loans, and most banks require prospective borrowers to submit their latest financial statement upon application for a loan. They are essential to the scientific appraisal of the value of a business for the purposes of sale, and to furnish a basis for forming an intelligent opinion as to the value of its securities by investors and speculators. From all points of view, it is desirable that a balance sheet should be a truthful statement of the affairs of a business. To a large extent valuations appearing in a balance sheet, especially among the fixed assets, are a matter of opinion, but such valuation should always be conservative. The balance sheet should show the financial position of a business to be no better than it actually is. Some of the states have enacted False Statement Acts (q. v.), which impose penalties upon borrowers who sign false statements as a basis for loans. (See Bank Statement, False Statement Acts, Statement Analysis.)

BALANCE SHEET TESTS

See Statement Analysis.

BALBOA

See Foreign Moneys—Panama.

BALLOONING

A stock market expression to denote the forcing of quotations of a given stock, or of the entire market, to unreasonably high or inflated values, i. e., to levels out of accord with asset values and present or prospective earning power.

BALTIMORE STOCK EXCHANGE

One of the smaller national securities exchanges, registered under the Securities Exchange Act of 1934. As of June 30, 1946, 89 outstanding stock issues of 60 issuers and 27 bond issues were listed, of which stocks over 58% were issues traded on other exchanges, and of which bonds, over 41% were also traded on other exchanges. For the fiscal year ended June 30, 1946, total market value of sales effected on the Baltimore Stock Exchange was $7,337,000, consisting of $5,585,000 in stocks (207,000 shares) and $1,752,000 in bonds ($1,919,000 principal amount). See National Securities Exchanges.

BANI

See Foreign Moneys—Roumania

BANK

A term said to be derived from the Italian word Banco (bench) at which the money-lenders, Jews and Romans, transacted their business in the market-place. In its original sense, which is still used today, the word means a pile or accumulation, as a sand bank, or bank of a river. The term has undergone an evolution in its meaning, and whereas the Bank of Venice, one of the earliest banks, was originated to make a public loan (also true of the Bank of England, created in 1694), and the Bank of Amsterdam (created in 1609), was a bank of deposit only, and banks of later periods were primarily banks of issue, in the modern sense the main purpose of banking is to supply credit in some form or other.

The New York State banking law defines a bank as "any domestic moneyed corporation, other than a trust company, authorized to discount and negotiate promissory notes, drafts, bills of exchange and other evidences of debt; to receive deposits of money and commercial paper; to lend money on real or personal security; and to buy and sell gold and silver bullion, foreign coins or bills of exchange."

Modern banks may be classified according to their functions into six broad groups, viz.: (1) commercial banks (e. g., national banks and state banks); (2) savings banks; (3) trust companies; (4) investment banks; (5) mortgage banks; and (6) bankers' banks (also known as reserve banks or central banks, e. g., Federal Reserve Banks).

Many modern banks, organized as National banks, state banks, or trust companies, and located in the large cities, are practically financial department stores and engage in all kinds of banking activities. A complete banking service comprehends the following functions: (1) receive demand deposits, and pay customers' checks drawn against them; (2) receive time deposits and pay interest thereon; (3) discount notes, acceptances and bills of exchange; (4) supply credit by making advances with or without security, by issuing letters of credit, and by accepting bills drawn thereunder; (5) transfer money at home and abroad; (6) Make collections and facilitate exchanges; (7) issue circulating notes (restricted to Federal Reserve banks); (8) issue drafts, cashiers' checks, and money orders, and certify checks; (9) furnish safe-deposit vaults; (10) assume custodianship of securities and other valuables; (11) act in a fiduciary capacity for individuals and corporations; (12) invest in Government or other securities and act as fiscal agent for the Government, or any of its civil divisions; (13) buy and sell gold bullion under license from Treasury Department, and foreign coins; (14) and deal in foreign exchange.

The laws of the United States provide for the organization of many Federal banking corporations of a public or quasi-public character, in addition to providing for the organization of National banks and the Federal system of private banking. The traditionally private Federal banking system has been meeting increasing competition in recent decades, particularly since 1933, from many Government corporations and credit agencies. In addition to Government banking corporations of a primarily regulatory nature, such as the Federal Reserve Banks, Federal Deposit Insurance Corporation, and Federal Savings and Loan Insurance Corporation, there are those of a supplementary or competitive nature, such as: In the Farm Credit Administration: Banks for Cooperatives, Federal Intermediate Credit Banks, Production Credit Corporations, Regional Agricultural Credit Corporation; also in the Department of Agriculture: Federal Farm Mortgage Corporation, Rural Electrification Administration, Commodity Credit Corporation, Farmers Home Administration, and Federal Crop Insurance Corporation; in the Federal Home Loan Bank Administration: Federal Home Loan Banks and Home Owners Loan Corporation; also in the National Housing Agency, the Federal Public Housing Authority and its affiliatex, Defense Homes Corporation; Federal Housing Administration; Federal National Mortgage Association; Reconstruction Finance Corporation; Export-Import Bank; Federal Works Agency, etc. In addition, there is the Postal Savings System, organized under the Postal Savings Act of 1910.

Supervising the National banks, member banks of the Federal Reserve System and insured banks are the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, and the Federal Deposit Insurance Corporation. The Federal Savings and Loan Insurance Corporation supervises the system of Federal Savings and Loan Associations. The Postal Savings System is supervised by the Trustees of the Postal Savings System. However, management and supervision of Government corporations and credit agencies is largely in the hands of their organic boards of directors and the administrative side of the Executive branch of the Government.

Under the jurisdiction of the various State Banking Departments are the following private banking types, viz.: State Banks, Trust companies, Mortgage companies, Title Insurance companies, Savings banks, Building and Loan associations, Safe Deposit companies, Industrial banks (Morris Plan banks), Private banks, Credit unions, Personal loan brokers and companies, and Land banks. In addition to the bank types created by law, and beyond the jurisdiction of the supervising bank authority, are investment bankers, stock exchange brokers, note brokers, foreign exchange dealers, discount houses, and pawnbrokers.

(See Agricultural Credit Corporations, Bank of Deposit, Bank of Discount, Bank of Issue, Bank Organization, Banks for Cooperatives, Building and Loan Association, Commercial Bank, Commodity Credit Corporation, Credit Union, Defense Homes Corporation, Edge Corporation, Export-Import Bank, Farm Credit Administration, Farmers' Home Administration, Farm Mortgage Companies, Federal Crop Insurance Corporation, Federal Deposit Insurance Corporation, Federal Farm Mortgage Corporation, Federal Farm Loan System, Federal Home Loan Bank Administration, Federal Home Loan Banks, Federal Housing Administration, Federal Intermediate Credit Banks, Federal National Mortgage Association, Federal Public Housing Authority, Federal Reserve Bank, Federal Reserve System, Federal Savings and Loan Insurance Corporation, Federal Works Agency, Foreign Banking Corporations, Home Owners Loan Corporation, Intermediate Credit Banks, Investment Company, Labor Banks, Land Bank, Mortgage Company, Morris Plan Company, National Bank, National Banking System, Personal Loan Company, Postal Savings System, Private Bank, Production Credit Corporations, Reconstruction Finance Corporation, Regional Agricultural Credit Corporation, Rural Electrification Administration, Safe Deposit Company, Savings Banks, Savings and Loan Associations, State Banks, Title Insurance Company, Trust Company.)

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BANK ACCEPTANCE

As defined by Regulation "A" of the Board of Governors of the Federal Reserve System, "a draft or bill of exchange, whether payable in dollars or some other money, accepted by a bank or trust company, or a firm, person, company or corporation engaged generally in the business of granting bankers' acceptances."

Bank acceptances are used in financing international trade and domestic transactions involving major staple commodities. They are practically a new type of credit instrument in the United States, and did not exist here before the Federal Reserve Act, Section 13 of which provides for their issuance. Bank acceptances hold a prominent place among credit instruments and constitute the highest form of commercial credit in which the credit risk has been practically eliminated, since the direct responsibility for their payment rests upon banks whose credit is widely known. Bank acceptances arise out of drafts drawn under letters of credit issued by the accepting bank. The bank substitutes its credit for that of its customer and accepts drafts drawn under letters of credit, provided they are in accordance with the terms thereof. The customer is required to place the bank in funds to meet the acceptance at its maturity.

Up to 1915, American bankers' acceptances were practically unknown. At the present time, however, not only have they become familiar in eastern financial centers as a medium of investment for short term funds, but they are known and purchased in many parts of the country remote from the seaboard. In this way, interior banks, business houses, and individuals have assumed an important part in the financing of American foreign trade.

While bankers' acceptances are used to some extent in the domestic movement of goods, their principal use is in the financing of exports and imports. A typical example of the use of bankers' acceptance in export trade, without describing technical details, is as follows: A Liverpool merchant buys $50,000 worth of cotton from an American exporter in New York. At the same time the Liverpool merchant requests his own bank to make an arrangement with a bank in New York for a "com-

mercial acceptance credit"—that is, a formal agreement to honor at maturity a draft or bill of exchange in a specified amount drawn in accordance with terms laid down in the agreement. The New York bank issues this acceptance credit on the guaranty of the British bank, which, in turn, has the guaranty of the Liverpool merchant that funds will be available to pay the bill when it matures. Under this credit the American shipper draws a time bill of exchange on the New York bank that issued the credit, due, say, at the end of ninety days. The American shipper then presents to the New York bank the bill with any documents which may be called for under the terms of the acceptance credit, and if found to conform with them in all particulars, it is "accepted"—that is, the bank notes on the face of the bill, the fact of "acceptance," which signifies that the bank will pay the bill upon maturity. The American shipper is then free to hold the bill until maturity, to discount it at his bank, or to sell it in the open discount market, whichever suits him best.

In an import transaction, the parties are transposed, the following being an illustration: An importer in New York wishes to buy tea from a merchant in Yokohama. The Yokohama merchant is not willing to make the shipment unless the New York importer is financially strong and is well and favorably known to him. The seller of the tea in Yokohama stipulates, therefore, that the New York importer must provide him with a commercial letter of credit, issued by a bank or banker of good standing, under which he may draw his bill. The New York importer obtains such a credit from his bank here and forwards it to the Yokohama merchant, who, upon its receipt, or cable advice of its contents, is then quite willing to make his shipment. After the latter delivers his goods to a steamship company and obtains from it his bill of lading, he attaches this, together with the other necessary shipping documents, to his draft, drawn at three or four months' sight on the bank which has issued the credit, and sells the draft to some bank in Yokohama at the current rate of exchange—thereby immediately obtaining payment in his local currency.

The bank in Yokohama then forwards the draft and shipping documents to its New York agency or correspondent. When the New York agency receives the draft and documents, it presents them to the drawee bank, which, after having satisfied itself that they are in order and that they comply with the credit, detaches and retains the documents, which it usually surrenders under trust receipt to its customer in order that he may obtain the tea, dispose of it and out of the proceeds retire the credit in due time. The drawee bank then accepts the draft and returns it to the New York agency of the Yokohama bank, which either holds it in its portfolio until maturity, or, in case of need, discounts it in the open market.

In the case of an acceptance drawn against a domestic shipment, the principle is similar, in most respects, to the export and import bills already described. The credit is provided by the American buyer in favor of the American seller, under which the seller draws his draft on the buyer's bank, with the shipping documents attached.

Another class of eligible acceptances consists of those secured by readily marketable staples stored in a warehouse, independent of the borrower. The owner of the goods draws a draft upon the bank from which he has obtained a credit and lodges with the bank the relative warehouse receipt covering his goods as collateral security. The purpose of such a credit is to finance staple commodities for comparatively temporary periods pending distribution into the channels of trade.

The New York Market is the only important market in the United States for bankers' acceptances. At times in the past, bankers' acceptances purchased by the Federal Reserve Banks in open market operations have been an important portion of outstanding Federal Reserve credit, but the volume outstanding has declined in reflection of general decline in acceptance volume, and it is now a minor portion of Federal Reserve credit. Buyers of acceptances, who are the customers of the dealers or so-called discount houses, include, generally speaking, those who desire an investment practically without risk, the proceeds of which will come due and be paid within a short time, or which may be sold at will in the open discount market. Some investors purchase bills which mature at a time coinciding with a known date when they, in turn, have obligations to meet or longer investments to make. In this way the acceptance market furnishes a means whereby funds may be employed pending the time when they are required for some definite and previously known use. (See Acceptance Credit, Letters of Credit, Limitations on Acceptance Credits.)

BANK ACCOUNT

Funds deposited in a bank. There are two principal types of bank accounts (other than those of governmental bodies), classified as to time element: demand and time. Under the National Bank Act, a demand deposit is payable within 30 days and a time deposit, after 30 days. Classified as to types of depositors, bank accounts may be classified as to individual, corporation, joint accounts, trustee, and unincorporated association accounts. Demand deposits may also be classified as to checking accounts and other deposits payable within 30 days; and time deposits, as to savings, Christmas Club, special funds, and other deposits payable after 30 days. Funds deposited in a savings account cannot be with drawn by check, but only upon presentation of the pass book, and are legally subject to 30 days notice of withdrawal, although this requirement of notice is rarely exercised. (See Demand Deposits, Time Deposits.)

BANK ACCOUNTING

See Bank Bookkeeping, Bank Cost-Accounting.

BANK ADVERTISING

See Publicity Department.

BANK APPARATUS

See Bank Appliances.

BANK APPLIANCES

A number of important mechanical appliances have been adopted by banking institutions in recent years to short-cut the great volume of clerical detail and to mechanize operations in order to reduce expenses. The principal machines used in modern banking are as follows: adding machine, adding typewriter, addressing machine, annunciator, bookkeeping and billing machine, calculating machine, check cancellation machine, check indorsing machine, check protecting and writing machine, computing machines, coupon cutter, dictaphone, automatic cashier, automatic coin counting and

wrapping machine, automatic typewriter, endorsing machines, envelope sealing machine, folding machine, letter opener, mailing machine, mimeograph, multigraph, numbering machine, pencil sharpener, photostat, perforating machine, posting machine, proof machine, receipt machine, Recordak equipment, stamp affixing machine, tabulating equipment, telautograph, time dating stamp, time lock, time recording machine, transit machine, typewriter

BANK AUDITING

See Audit, Auditing Department, Bank Examination.

BANK BALANCE

This term has two meanings

(1) The amount standing to the credit of a depositor's account at a bank, representing the sum he is entitled to withdraw

(2) The difference between the total debits and credits, whether against or in favor, of a bank at the clearing house, i. e., a given bank's clearing house debit or credit balance

BANK BALANCE SHEET

See Bank Statements

BANK BOOK

Same as Pass Book (q. v.)

BANK BOOKKEEPING

Bookkeeping which in most respects follows the principles of bookkeeping in other lines of business, but differs in two important particulars: (1) transactions must be recorded as soon after their occurrence as possible; and (2) the bank should be able to determine its correct financial status and results of operations at the close of each day's business.

A bank deals with cash and cash items. Most of its assets are quick or liquid assets which it endeavors to keep liquid in order that customers may make withdrawals at their pleasure. A bank is a huge accounting machine, an instrument by which its customers mutually settle their debts. In keeping financial accounts for its customers a bank is an important factor in insuring their solvency. If through an oversight in the bookkeeping department a customer's account shows an overdraft when as a matter of fact funds have been received which would create a credit balance, but are not yet posted, the customer's position may be seriously jeopardized. Since a bank must handle a great volume of checks and other cash items affecting many separate accounts, some scheme must be provided for securing the posting of transactions to the ledgers with utmost dispatch and accuracy.

The Comptroller of the Currency and many of the state banking departments require banks to secure a daily trial balance. Even without this requirement ordinary prudence would dictate a daily balancing of books. Because of the sheer volume of transactions a bank is called upon to administer, it is essential that each separate department and the bank as a whole prove its work daily, so that in case errors occur they can be corrected and immediately, and before matters become further involved. Furthermore, a proof is essential in determining the bank's condition as to solvency, liquidity and profits. To protect its customers whose solvency partly depends upon the solvency of their bank it is necessary for a bank to determine its financial condition at the close of each day's business.

The bookkeeping or accounting system of a bank varies according to its type, size and kind of service performed, but most of its books and many of its operations are common to all. The bookkeeping work of a bank may be divided into (1) preparation of the original entry records in the various operating departments; (2) preparation and sortation of posting mediums for posting to depositors' and general ledgers; (3) preparation of daily department proofs of original entry records; (4) keeping the accounts of depositors in the depositors' or "individual" ledgers; (5) keeping the general accounts (general ledger and statement book), and (6) keeping the various departmental subsidiary ledgers, e. g., liability ledger, bond ledger, etc.

A bank's bookkeeping records may be classified in four broad divisions: (1) exclusively corporate records; (2) general accounting records; (3) depositors' or "individual" ledgers; (4) department records. The exclusively corporate records consist of (a) stock journal, or stock certificate book, from which shares of stock are issued, and which shows the evidence of ownership of the shares; (b) stock transfer journal which is a chronological record of the transfers of shares; (c) stock ledger which shows the number of shares owned and held by each stockholder; (d) directors' minute book which contains the minutes of directors' meetings and their resolutions, which often affect the accounting records; (e) articles of incorporation which contain the authorization for the bank's existence and affect the records with respect to capital stock; (f) dividend book which contains a record of dividend disbursements and the names and addresses of stockholders entitled to receive dividends. The general accounting records consist of (1) general ledger; (2) statement book, and (3) general expense book. The department records consist of various subsidiary ledgers, ticklers and other facilitating records.

The following is a list of the more important bookkeeping records especially applicable to a commercial bank:

Acceptance Liability Ledger.
Acceptance Register.
Acceptance Maturity Tickler.
Acceptance Ledger.
Accounts Opened and Closed Record.
Advice Book.
Bank Note Register.
Bill Ledger (Book).
Bill Register.
Bill Maturity Tickler.
Bond Classification Record.
Bond Earnings Record.
Bond Journal.
Bond Ledger.
Bond Maturity Tickler.
Branches Ledger.
Cash Book.
Cashier's Check Register.
Certificate of Deposit Register.
Certified Checks Register.
Collection Ledger.
Commission Record.
Coupon Check Register.
Coupon Ledger.

Customers' Securities Control.
Depositors' Ledger.
Discount Ledger.
Discount Maturity Tickler.
Discount Register.
Dividend Book.
Expense Book.
Exchange Record.
Federal Reserve Ledger.
Federal Reserve Register.
General Ledger.
Indexes.
Individual Ledgers.
Journal.
Letters of Credit Register.
Loan Ledger.
Loan Register.
Minute Book.
Mortgage Ledger.
Mortgage Register.
Note Tickler.
Offerings Book.
Overdue Bills Book.
Real Estate Record.
Safe Deposit Register.
Securities Ledger.
Securities Register.
Security Numbers Record.
Signature Records.
Stock Certificate Book.
Stock Ledger.
Stock Transfer Journal.
Time Deposits Ledger.
Time Loan Maturity Tickler.
Trust General Ledger.
Trust Securities Register.

(See Auditing Department, Bank Statements, Bookkeeping Department, General Bookkeeping Department, General Ledger, Statement Department.)

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BANK CHARTER

See Certificate of Incorporation.

BANK CHARTER ACT

See Bank of England.

BANK CHECK

See Check.

BANK CLEARINGS

Exchanges for the clearing house; checks and other items presented for collection through the clearing house by its members. Total bank clearings and balances for the principal cities having clearing house associations are published daily in the local newspapers. The principal financial magazines compile weekly, monthly and annual bank clearings for the principal cities and the United States as a whole as a barometer of business activity.

Bank clearings, however, do not provide an inclusive barometer of deposit activity, as there are many transactions which do not clear through the clearing house; and also, as the number of banks is reduced by merger or consolidation, the volume of clearings necessarily is reduced. Accordingly, bank debits (q. v.) are a superior indicator of business activity as reflected in turnover of deposits and volume of money payments. (See Business Barometers.)

BANK COMMISSIONER

A title given in some states to the chief of the State Banking Department (q. v.). In other states this officer is known as Superintendent of Banks.

BANK COST-ACCOUNTING

Although first associated with manufacturing business, cost-accounting has become especially adaptable to banking; in fact, it is essential if proper charges for various services are to be made, and to determine whether given accounts are profitable or unprofitable. While cost-accounting in banks is usually taken as synonymous with account analysis, its scope is more extended and includes the determination of costs by departments, by classes of services, unit services and deposit accounts. In a well-managed bank, moreover, the cost-accounting system and budget system will serve as mutual checks on one another.

Various systems or methods of determining costs have been devised. The object of account analysis is to apportion the expenses of the bank to each account on some equitable basis, and to credit to each account its proportion of earnings. The earnings attributable to an account may be accurately ascertained without much difficulty, and consist of the interest at the current lending rate upon the usable balance, determined by subtracting from the average balance the amount of the average float (items in process of collection), and the required legal reserve. The determination of the expenses assignable to each account, however, presents some difficulties. In a recent exposition of the fundamentals in bank cost-accounting ("How to Price Bank Services," in "Banking" for October, 1947), Mr. A. Paul Thompson states the basic idea of bank cost accounting as the analysis and segregation of financial transactions as recorded on the books of account whereby they are allocated to the individual customer services to which they relate. The following procedure is advocated as an approach which has proved practical and desirable in moderate sized as well as larger city banks for measuring operating performance:

1. Select the division of operation.
2. Distribute the time of the personnel among the divisions.
3. Count the items of activity for each division.
4. Evaluate the item count according to the work unit value of each kind of item.
5. Determine the number of personnel required based on standard.
6. Compare actual number of personnel with standard required and analyze variances.

The following procedure is recommended for determining the fairest possible compensation for services rendered to customers:

After the expense, direct and indirect, of a department or section has been determined and an accounting has been made of that department's activity in terms of units of time, such as minutes, the cost of each unit of time performed is the quotient of the total expense divided by

the units of time worked. Once the cost of a unit of time is determined, and the time required to handle the different transactions in that department is known, it becomes simple to convert the total costs into item costs.

The above fundamentals outlined by Mr. Thompson are of general application, but it should be realized that bank cost accounting systems will differ widely, based on local adaptation to specific needs. An essential first step in all cost accounting systems is to know what costs are in sufficient degree of detail, and to help in determining this, the assistance of professional bank analyst companies, correspondents and banking associations is available in supplementing the bank's own accounting and auditing staff. Knowing its costs, a bank is then able to apply corrective measures. In analysis of accounts, for example, reduction of interest if any is paid, increase in balance, reduction in activity, and finally, service charge, may be necessary steps in bringing account cost into line with applicable earnings.

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BANK CREDIT

Credit created or extended by a commercial bank by loans and discounts to its customers with or without collateral, and purchase of investment securities, as distinguished from commercial credit, personal credit investment credit, public credit, etc. (See Credit.)

BANK CREDIT CURRENCY

See Credit Currency.

BANK DEBITS

A term, more fully described as Debits to Deposit Accounts, meaning the total dollar value of checks drawn against aggregate deposit accounts, i. e., withdrawals against deposit credits of individuals, firms, and corporations. It represents the rate of turnover, or velocity, of bank deposits, and differs from bank clearings in that the latter represents only checks received from other banks through the clearing house, and does not include checks cashed or withdrawals made at the depositor's own bank, checks cleared otherwise than through the clearing house, etc. The term may apply to a single account, the total of all accounts, the total of all accounts in the banks of a single locality, state, Federal Reserve District, or the United States.

In recent years, statistics of bank debits have come to be regarded as important business data by business analysts and statistical economists. Their peculiar value is that of gauging business activity or volume of trade. Since these data are available for important cities, they suggest the relative change in activity (by comparison with figures for preceding periods) as between different localities in the country. It is by using these data that some of the forecasting services construct their "business maps."

Debits to bank accounts are more sensitive to trade necessities than bank credits because excess funds can be called upon or allowed to remain idle as required, although the two must be in rough correspondence. The greater the aggregate withdrawals from the banks the greater the volume of business transacted, and vice versa. Bank debits, of course, are not a precise measure of the volume of business done. Allowance must be made for price changes and for the degree of speculative activity (in securities, commodities, or real estate), which has little bearing upon the quantity of goods moving into consumption channels.

Bank debit statistics are collected and reported monthly by the Board of Governors of the Federal Reserve System, summary figures being published each month in the Federal Reserve Bulletin, based on 334 reporting centers. In addition to debits to total deposit accounts (except interbank accounts), the Board also publishes debits to demand deposit accounts (except interbank and Government accounts), as well as the annual rate of turnover of total deposits and of demand deposits calculated for New York City alone and also in one figure for the other leading cities. For description of the data and current figures, see "Banking and Monetary Statistics" (Board of Governors of the Federal Reserve System, 1943) and current Federal Reserve Bulletins. In addition to these summary figures, weekly bank debits (debits to demand deposit accounts except interbank and U. S. Government accounts), are published weekly by the Board in the series entitled Weekly Reporting Member Banks—New York City and Outside.

BANK DEPOSIT

See Deposits.

BANK DEPOSIT INSURANCE ACT

The name given to the Act of June 16, 1934, which extended to June 30, 1935 the temporary plan for insurance of bank deposits originally set up by the Banking Act of 1933 (q. v.). Public Resolution of June 28, 1935 further extended the temporary plan for insurance of deposits to August 31, 1935. Permanent deposit insurance was provided by the Banking Act of 1935 (q. v.), approved August 23, 1935.

BANK DIRECTORS

See Directors.

BANK DISCOUNT

See Discount.

BANK DRAFT

A sight or demand draft drawn by one bank as drawer upon another bank as drawee. (See Draft.)

BANK EMPLOYEES

See Bank Occupations, Personnel Department.

BANK EXAMINATION

An inspection of the financial conditions of a bank, initiated by the bank itself or conducted by legally constituted authorities, to assure the depositors, stockholders and the public that the affairs of the bank are being conservatively and efficiently managed. Bank examinations may be classified as external and internal. The former are compulsory, and are conducted by agencies created by the law for that purpose, and the latter by the bank's own auditing department, or by public accountants at the request of the bank.

National banks are subject to at least two examina-

tions a year by national bank examiners, acting under the supervision of the Comptroller of the Currency. State banks are also usually subject to two examinations a year, acting under the supervision of the state banking department. The New York state banking laws also require periodic examinations to be made by the board of directors, but they are allowed to engage public accountants to conduct the examination in their stead. The purpose of directors' examinations is to place the board on record as having intimate knowledge of the affairs of the institution which they direct. Banks which are members of a clearing house association are often subject to examination by such association. Clearing house examinations are not required by law, but are instituted as a matter of conservative banking practice.

Examiners of the Federal Deposit Insurance Corporation may examine any State non-member bank which is insured or making application for insurance. Also, with consent of the Comptroller of the Currency and the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation may examine any national bank, or State member bank; it can also examine any closed insured bank.

Federal Reserve banks are subject to examination by the Federal Reserve Board which maintains a "Division of Examination" and a "Chief Federal Reserve Examiner.' The Federal Reserve Board also has power to examine member banks, The Federal Reserve Act provides that any Federal Reserve bank may, with the approval of the Federal Reserve Board, examine any member bank within its district. In practice, the district Federal Reserve Bank usually secures a copy of the examination of the district National Bank Examiner and thus does not examine further in the case of national banks in the district. The district Federal Reserve Bank, however, has power to examine any member bank in the district if improper use of Federal Reserve credit is being made. State member banks are also examined by district Federal Reserve Banks; usually at the same time and in cooperation with State examiners. The trust department of a national bank is subject to examination by the banking department of the state in which it is located.

The specific purposes of an external bank examination are to ascertain (1) whether the bank is solvent as shown by a verification of its assets and liabilities: (2) whether the management is conforming to the restrictions imposed by law; and (3) whether the bank, although conforming to the legal restrictions, is adopting policies which may lead to embarrassment or disaster at a future date.

Examination Not an Audit—An external bank examination is not a complete audit, and is not so intended. They are distinct in their purposes. Bank examiners do not set up a complete financial statement which purports to be a true and correct exhibit of the bank's financial condition. Neither do they certify that no defalcations have occurred.

A bank that may be thoroughly examined in one or two days could not be completely audited in less time than one or two weeks. Every bank in the system should receive a thorough audit at least once a year by qualified accountants not connected with the management of the bank in any way.

It is incumbent upon an examiner, in addition to seeing that the business of the bank is conducted within the provisions and limitations of the banking laws, to satisfy himself that every dollar that has been paid into the institution, as shown by its books, is properly accounted for. But is is the business of an auditor to determine by balancing and verifying each and every account whether the books show correctly every dollar received.

It is no reflection upon an examiner who fails to discover a shortage which is the result of the pernicious practice which prevails in some of the smaller banks of permitting the individual ledger bookkeeper to receive deposits and make entries in and balance pass-books, or a receiving teller to make entries in the ledgers. A shortgage due to the opportunities afforded by this objectionable practice may remain concealed for years unless revealed by accident, and can be discovered only by balancing or verifying the pass-books.

After the examination is completed, a comprehensive report is prepared and submitted in writing by the chief bank examiner to the board of directors. The Board of directors is required to adopt the recommendations of the bank examiner who may, for example, require writing off all overdue notes, or depreciation on investments, and even that more capital be furnished to make good losses sustained, even though a deficit has nor occurred. Improvident policies and loose accounting methods are criticized, and recommendations made for their improvement. The report of a national bank examiner is required to be read at the next succeeding meeting of the board of directors, and noted in the minutes.

Internal examinations conducted by a bank's own auditing department may be classified as continuous and spot. The general control of the bookkeeping and accounting routine, summarization of department proofs and reconcilement of customers' accounts may be regarded as a continuous audit. These functions are performed daily in order to secure protection against theft or defalcation and to prevent clerical errors.

Spot examinations are irregular, the element of surprise being their chief characteristic. The auditors make their appearance in a certain department of the bank and verify the assets under custody without being announced. It is calculated that a spot audit tends to assure constant alertness in the clerical force.

(See Audit, Bank Examiners, Comptroller of the Currency, Directors' Examinations, State Banking Department, Visitorial Powers.)

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BANK EXAMINERS

Persons appointed pursuant to the national banking laws, Federal Reserve Act, and various state banking laws to examine the affairs of banks and banking institutions within their jurisdiction.

National bank examiners are appointed by the Comptroller of the Currency with the approval of the Secretary of the Treasury, and in the office of the Comptroller of the Currency, the Chief National Bank Examiner is directly responsible for all examining activities.

Each Federal Reserve District has a National Bank Examiner in charge of all the other examiners assigned to his district. Since the Comptroller of the Currency is required by law to examine every national bank at least twice in each calendar year, the staff is kept quite busy. Appointments are usually made from a list of eligibles secured through noncompetitive examinations held at the office of the Comptroller of the Currency in Washington from time to time as the needs of the service require. The examination covers the following subjects: general banking practices, accounting, negotiable instruments, commercial and banking law, and the National Bank and Federal Reserve Acts. An examiner should also understand the principles of auditing and the chief avenues of fraud.

The salaries of national bank examiners are fixed by the Federal Reserve Board upon the recommendation of the Comptroller of the Currency. National bank examiners have power to examine thoroughly all the affairs of the banks undergoing examination, to administer oaths, and to examine any officers or employees thereof. Examiners are required to make a full and detailed report of the conditions of each bank examined to the Comptroller of the Currency. The recommendations contained in this report are submitted to the directors of the bank from the office of the Comptroller of the Currency.

National bank examiners are forbidden to disclose the names of borrowers or the collateral against a bank's loans, and banks are prohibited from making loans or granting gratuities to bank examiners.

The regulations applying to national bank examiners apply in a general way to state bank examiners. Under the banking laws of the state of New York, bank examiners are appointed, their salaries fixed and duties assigned, by the Superintendent of Banks. They are required to take the constitutional oath of office, and may be retired from service upon half pay after twenty years' service and mental or physical incapacity. (See Bank Examination, Federal Reserve Act, Sec. 21, 22.)

BANK EXCHANGES

Same as exchanges, or Exchanges for Clearing House (q. v.).

BANK FAILURES

See Failures.

BANK HOLIDAYS

There is no such thing as a national holiday in the United States, as each State by statute or by proclamation of its Governor designates the legal holidays. The following holidays are observed by all the States:

New Year's Day	January 1
Washington's Birthday	February 22
Independence Day	July 4
Labor Day	First Monday in September
Thanksgiving Day	Fourth Thursday in November.
Christmas	December 25

Most of the States also observe Memorial Day, May 30, and a lesser number of States observe Lincoln's Birthday, February 12, and Columbus Day, October 12. Election Day, the first Tuesday after the first Monday in November, is a legal holiday each year in various States, but in others, it is not a legal holiday in odd-numbered years, as general elections in such States are held only in even-numbered years. Where a holiday falls on Sunday, the next day is commonly observed as the holiday.

Many States have permitted or required the closing of banks on Saturdays during the summer months. In New York State, a bill providing for permissive year-round 5-day bank week was signed on February 24, 1947. The measure requires that boards of directors of banks desiring to close on Saturdays the year round must adopt resolutions authorizing such action. Many banks in New York State have taken such action, after giving due notice to their domestic and foreign customers and correspondents.

Under the Uniform Negotiable Instruments Law, where the day, or the last day, for doing any act required or permitted to be done falls on Sunday or on a holiday, the act may be done on the next succeeding secular or business day. Every negotiable instrument is payable at the time fixed therein without grace, and when the day of maturity falls upon Saturday, it is to be presented for payment on the next succeeding business day, except that instruments payable on demand may, at the option of the holder, be presented for payment before 12 o'clock noon on Satruday when the entire day is not a holiday. (Sec. 85, Uniform Negotiable Instruments Law; Sec. 145, New York Negotiable Instruments Law.)

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BANK FOR INTERNATIONAL SETTLEMENTS

An institution organized as part of the Young Plan to effect a revised settlement of the various financial claims among creditor nations arising out of World War I. The Young Plan displaced the Dawes Plan of reparation payments and the Bank for International Settlements the function of the Agent General. The bank opened in May, 1930, under Swiss charter, at its headquarters in Basle, Switzerland. The capital of the bank consists of 200,000 shares, stockholders including 24 European central banks. In the case of Japan and the United States, the shares are held by private banks rather than central banks. The American interest totaled 9.9%, but this voting power was not exercised because the United States Government refused to permit an American representative to participate officially in the collection of German reparations. Today, the United States interest includes the Japanese interest and also part of the original German interest.

The bank received the $300,000,000 proceeds of the first of a series of Young Plan loans late in May, 1930, and distributed them to the German and creditor governments. The first monthly statement was published as of June 30, 1930. Although established for the main purpose of collecting and transferring German reparations, the bank engaged in other functions permitted by its charter, such as protecting currencies, handling deposits and transfers for the central banks, and otherwise acting as a common agent for them.

During World War II, the bank because of its primary function and the fact that most of its assets were German claims, necessarily kept close connections with the German financial situation, and at the Bretton

Woods Conference, in 1941, a resolution was adopted recommending a liquidation of the Bank for International Settlements, in view of the organization of the International Monetary Funds and the International Bank for Reconstruction and Development (q.v.). However, there has since been no definite action for liquidation, and as of 1947, indications are that the Bank for International Settlements may be kept in operation by the controlling nations as part of the European central banking organization and as an adjunct of the Fund and the Bank.

Financial statement of the Bank for International Settlements as of March 31, 1947 shows that investments in Germany represent approximately 60% of total assets, totaling 291.2 million Swiss gold francs book value, including 105.1 million claims on the Reichsbank and Goldiskontbank; 70.2 million on the German Treasury; and 109.9 million on the Germany Railway and Postal Administrations. Other assets, converted at $0.3244 per Swiss gold franc, totaled about $67,000,000.

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BANK INDORSEMENT

See Bank Stamp.

BANK INSOLVENCY

Under Federal Deposit Insurance (q. v.), the decision to close a national bank or insured state bank rests with the board of directors of the bank and the Comptroller of the Currency or state supervisory authority. Test of national bank insolvency, as outlined in Section 5205, Revised Statutes, is impairment of capital. Every national bank which fails to pay up its capital stock or whose capital stock shall have become impaired by losses or otherwise, shall pay up the deficiency in capital stock within three months of receipt of notice from the Comptroller of the Currency, by assessment upon the stockholders pro rata for the amount of capital stock held by each stockholder. If any national bank fails to pay up its capital stock and refuses to go into liquidation, after the three months of notice, the Comptroller of the Currency may appoint a receiver to close up the business of the national bank in accordance with Section 5234, Revised Statutes.

Whenever a national bank is closed on account of inability to meet the demands of depositors, the Comptroller of the Currency shall appoint the Federal Deposit Insurance Corporation as receiver for the national bank. Whenever any state insured bank is similarly closed for inability to meet demands of its depositors, the Federal Deposit Insurance Corporation shall accept appointment as receiver if such appointment is tendered by the State supervisory authority and is authorized or permitted by state law.

Before an insured bank is permitted to close, however, the Federal Deposit Insurance Corporation steps in, in order to reduce the risk or avert threatened loss to it on its deposit insurance liability, and will by loans, purchase of assets, guarantee against loss, etc., facilitate merger or consolidation of an insured bank with another insured bank, or facilitate the sale of assets of an open insured bank to and assumption of liabilities by another insured bank. (See Bank Deposit Insurance Act, Federal Deposit Insurance Corporation, Deposit Insurance, Insured Bank.)

BANK LAW

A general term to designate the statute of the United States and of the various states under which banking institutions are organized, operated and regulated. It also refers to the great body of court decisions concerning negotiable instruments, bank forms, documents, etc., and to regulations of the Board of Governors of the Federal Deposit Insurance Corporation, rulings of the Comptroller of the Currency, and Treasury Department, and to the regulations of the various State Banking Departments. (See Banking Act of 1933, Banking Act of 1935, Farm Credit Act, Farm Credit Administration, Federal Farm Loan Act, Federal Reserve Act, Federal Reserve Board Regulations, Legal Investments for Savings Banks, National Bank Act, Negotiable Instruments Law.)

BANK LOANS

See Loans.

BANK MAGAZINES

See Financial Magazines.

BANK MONEY ORDER

A form of money order issued and sold by banks, as distinguished from postal and express money orders. They are practically a modified form of cashier's check, and unlike postal money orders may be indorsed any number of times. Their cost is normally below Post Office fees for postal money orders, on a similarly graduated basis. Many banks have also installed the "Registered Check" service in lieu of money orders or no minimum balance checking accounts. (See Express Company Money Orders, Money Orders, No Minimum Balance Checking Accounts, Register Checks.)

BANK NOTE

A bank's own promise to pay to bearer upon demand, and intended to be used as money. Bank notes are often referred to as circulating notes, or circulation. The privilege of note issue in the United States is now restricted to Federal Reserve banks, which issue Federal Reserve Notes (q. v.). Since March, 1935, funds have been on deposit with the Treasury to cover retirement of all Federal Reserve Bank notes (q. v.), and also, since August, 1935, to cover retirement of all outstanding National Bank notes (q. v.).

BANK OCCUPATIONS

The principal occupations in a commercial bank are as follows: accountant, adding machine operator, advice clerk, assistant cashier, auditor, bill clerk, bond clerk, bookkeeper, cashier, certifications clerk, check-desk clerk, chief clerk, clearing-house settlement clerk, collateral clerk, collection clerk, commercial credits clerk, comptroller, coupon clerk, coupon collection clerk, coupon collection teller, coupon teller, credit analyst, credit correspondent, credit investigator, credit man, custodianship teller, customers' securities clerk, dictaphone operator, discount clerk, discount

teller, draft clerk, fanfold machine operator, file clerk, foreign currency teller, foreign exchange bookkeeper, foreign exchange clerk, foreign exchange trader, general bookkeeper, guard, junior clerk, ledger clerk, letter of credit clerk, loan clerk, mail teller, messenger, money clerk, night watchman, note teller, office boy (page), paying teller, personnel officer, secretary, securities clerk, senior clerk, shipping clerk, signature clerk, statement machine clerk, statistician, stenographer, stenotypist, stockroom clerk, stop-payment clerk, substitution clerk, transit clerk, translator, trust officer, typist, vault attendant, voucher clerk.

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BANK OF CANADA

Established in 1934 and began operations March 11, 1935 as the central bank and bankers' bank for Canada. It acts as the fiscal agent for the Dominion of Canada and may also, by agreement, act as banker or fiscal agent for any Province. It is the central bank depositary for the legal minimum reserves of the chartered banks, which are required to maintain with the Bank of Canada reserve balances, which may include Bank of Canada notes, of not less than 5% of their deposits payable in Canadian dollars. The Bank of Canada now has the sole note issue power, and its notes are legal tender. Operating powers include power to buy and sell securities in the open market, discount securities and commercial bills, fix discount rates, and buy and sell bullion and foreign exchange. Head office is located at Ottawa, and the Bank has power to establish branches and agencies within Canada, as well as abroad if approved by the Governor in Council.

Under the Exchange Fund Order of 1940, the Bank transferred its reserve of gold, totaling about $207,000,000, to the Foreign Exchange Control Board in exchange for short-term Dominion securities, and the Bank of Canada's own statutory 25% minimum gold reserve requirements against notes and deposit liabilities was suspended. Canada was on the gold bullion standard when it followed the lead of England in placing an embargo on export of gold October 19, 1931, and suspending redemption of Dominion notes in gold on April 10, 1933. Thus, although the Bank of Canada under its charter was to maintain fixed market for gold bullion in amounts of 400 ounces or more, this requirement never did go into effect. When the monetary value of gold was increased from $20.67 per ounce to $35 per ounce, the resulting gold profit largely accrued to the Treasury, to be used as an Exchange Fund to regulate the exchange value of the Canadian dollar.

Original capital of the Bank of Canada was $500,000, which was increased on June 18, 1936 to $10,000,000, of which 100,000 Class "B" shares were issued to the Dominion at par, and the 100,000 Class "A" shares, $50 par value, were sold to the public, who were limited to 50 shares per person and were required to be British subjects ordinarily resident in Canada or corporations controlled by such persons. On August 15, 1938, the Bank became a wholly Government-owned institution, the capital being reduced to $5,000,000, and all of the 100,000 shares, $50 par value, are held by the Minister of Finance on behalf of the Dominion of Canada.

A subsidiary of the Bank of Canada, the Industrial Development Bank, began operations November 1, 1944 with capital of $25,000,000, of which $10,000,000 was paid up and subscribed by the Bank of Canada. This subsidiary does no deposit banking, its function being to supplement the chartered banks and other lending agencies in the supply of medium and long term capital to small enterprises. This investment banking subsidiary has a borrowing power of up to three times its paid up capital stock and reserve fund.

Comparative balance sheet of the Bank of Canada follows:

BANK OF CANADA

Comparative Statement of Condition

(in thousand Canadian dollars)

Assets:	Sept. 30, 1947	Dec. 31, 1
£ and U. S. Funds	$ 1,908	$ 9
Subsidiary Coin	399	3
Government Securities (short-term securities)	1,088,017	1,197,4
Other Government Securities	744,656	708,1
Other Securities	25,000	15,0
Bank Premises	2,465	2,4
All Other Assets	21,598	24,2
Total Assets	$1,884,033	$1,948,6
Liabilities:		
Paid-Up Capital	$ 5,000	$ 5,0
Rest Fund	10,000	10,0
Notes in Circulation	1,172,241	1,186,2
Liabilities in Foreign Currency (payable in sterling, U. S.A. and foreign gold currencies)	1,908	9
Deposits:		
Dominion Government	128,192	81,4
Chartered Banks	481,115	565,4
Other	61,971	93,8
All Other Liabilities	23,556	5,6
Total Liabilities	$1,884,033	$1,948,6

BANK OF CIRCULATION

Same as Bank of Issue (q. v.).

BANK OF DEPOSIT

Strictly any bank which receives deposits, which would include practically every banking type. In ordinary usage, however, it applies to banks which receive deposits subject to check, and therefore to commercial banks, and the banking departments of trust companies. These institutions, in addition to receiving such primary deposits, create derivative deposits by their lending and investing functions.

BANK OF DISCOUNT

A bank which discounts notes, acceptances, and bills of exchange and otherwise lends its credit, as distinguished from a savings bank, mortgage company, etc. All commercial banks are banks of discount, which would include National banks, state banks, and the banking departments of trust companies. Federal Re-

serve banks also come under this designation. (See Bank.)

BANK OF ENGLAND

The central banking institution of England with the main office in London, and branches located in the principal cities of England. Its full official title is "The Governor and Company of the Bank of England," and it is sometimes called, colloquially, "Old Lady of Threadneedle Street." It is primarily a bankers' bank, and occupies the same relation to the English banking system as the Federal Reserve banks to the banking system of the United States.

Nationalization—Under the Bank of England Act of 1946, the Bank of England on March 1, 1946 began operations as a Government-owned institution. The Governor, Deputy Governor and thirteen of the former directors were reappointed, and three new directors were appointed to complete the new directorate of sixteen. The Crown now appoints all directors as well as the Governor and the Deputy Governor, the latter each for a term of five years and the directors, for terms of four years. Stockholders of record on the books of the Bank on the day prior to the "appointed day" (March 1, 1946) received new Treasury stock bearing 3% interest and redeemable on three months notice at par on and after April 5, 1966. All of the stock was transferred to the Treasury's nominee, the Treasury Solicitor, free of all trusts, liabilities or encumbrances. Since the policies of the Bank of England as a privately owned joint-stock company before nationalization were determined to a large extent by the Treasury, nationalization was more a matter of form than of substance. The bill received the Royal Assent and became law on February 14, 1946.

The original charter was granted in 1694, but was modified in 1844 by what is known as the "Bank Charter Act," or briefly as "Bank Act," which established the Bank of England on its present basis. Its original capital was £1,200,000, as compared with proprietors' capital of £14,553,000 in 1816 to date. The Bank Charter Act drew a sharp line of demarcation between two departments of the Bank of England, viz., "Banking Department" and "Issue Department." Except for the requirement that a weekly Bank Return (q. v.) be prepared and published, the conduct of the Banking Department was left to the discretion of the governors, but the activities of the Issue Department were rigidly prescribed. The object of this provision was to insure against note inflation. The Bank of England was given a practical monopoly of the note-issuing privilege, since no other bank organized after 1844 was allowed to issue notes. Of the banks in existence in 1844, only those conducting business 65 miles from London retained the right to issue notes. Whenever existing banks merged or increased number of partners to over six, their note-issuing privilege ceased, and the Bank of England was entitled to increase its "fiduciary" note issue (other than notes secured 100% by gold) by two-thirds of the lapsed issues. The fiduciary note issue, secured by Government debt, was limited to £14,000,000. However, in order to provide greater elasticity in the note issue during times of credit expansion or emergency, the Bank Charter Act requirements could be suspended. The Act also required the Bank to maintain a free market for gold at fixed prices of £3 17s. 9d for purchases and £3 17s. 10 1/2d per ounce for sales.

During World War I, the Bank Charter Act was virtually suspended, and England was obliged to abandon the gold standard. The Bank of England was renowned as the bulwark of the international gold standard prior to World War I. Upon the Bank of England devolved very largely the responsibility of acting as custodian of the gold reservoir for international banking. London was the world's financial center, and a considerable portion of its banking power was available for the financing of international transactions. Bills of exchange on London could be discounted almost anywhere in the world, because London was equipped to honor sterling bills in gold practically without limit. An adequate gold reserve was assured by means of controlling the discount rate, or "bank rate" (q. v.), as it is known in England. When the gold reserve was drawn upon heavily, the bank rate was raised in order to discourage further borrowing, and when the reserve rose, the rate was lowered. If the advance in the bank rate did not restrict borrowing and counteract the outflow of gold, the Bank of England entered the open market, and by thus reducing the supply of bills, forced money rates up.

After World War I, the Gold Standard Act of 1925 placed England on the gold bullion standard. This Act abolished the free coinage of gold, relieved the Bank of England of the obligation of redeeming its notes in gold, and made the market for gold in 400-ounce gold bars at the original prices of £3 17s. 9d for purchases and £3 17s. 10 1/2d for sales.

The Currency and Bank Notes Act of 1928 amalgamated the British note issues, fixed the "fiduciary issue" (notes not secured by gold but by securities and silver coin) at £260,000,000, and empowered the Treasury, upon request of the Bank, to authorize temporary increases in the fiduciary issue. The Currency and Bank Notes Act of 1939 fixed the amount of the fiduciary issue at £300,000,000. On September 6, 1939, £280,000,000 in gold, all but a nominal amount of the gold held by the Issue Department, was transferred to the British Exchange Equalization Account, and the Treasury authorized a temporary increase in the fiduciary issue to £580,000,000. During wartime, further legislation lengthened the period (two years under the 1928 Act) during which temporary increases in fiduciary issue could be authorized without confirming legislation by Parliament. Accordingly, the fiduciary has been increased from time to time since, usually in £50,000,000 increments, to present total of £1,450,000,000.

On September 21, 1931, England went off the gold bullion standard when the Bank of England was relieved of the obligation to sell gold at the fixed price. With the establishment of the British Exchange Equalization Account in 1932, virtually the whole of the United Kingdom's gold reserves have been transferred to that Account. Through February, 1939, British gold reserves were valued at legal parity, of 85 shillings per fine ounce; thereafter at market price, which fluctuated until September 6, 1939, when it was officially set at 168 shillings per fine ounce. This last rate remained in effect until June 9, 1945, when it was raised to 172 shillings, 3 pence. Throughout these changes, there were various transfers of gold between the Bank of England and the Exchange Equlization Account from time to time, with the result that latest returns of the Bank (1947) show Bank holdings of gold of only £247,833.

Internally, the Bank of England continues to perform its traditional functions. The Bank is the bank of issue.

It is the fiscal agent of the Government. It is the bankers' bank. The English banking laws do not require the Bank of England or the joint-stock banks of the country to maintain minimum legal reserves against deposits, as in American banking practice, the size of reserves being left to the discretion of the bank managements. In practice, latest returns show the Bank of England averaging about 20% reserves, and the joint-stock banks, about 8%. Through open market operations, the Bank of England broadens or contracts the supply of banking funds in the London money market. Traditionally, open market operations have been indirect—in times of commercial activity, the banks sell their notes and bills to the Bank of England through the medium of the discount market, and not directly to the Bank. However, in recent years, the Bank of England has supplemented this traditional method and has dealt directly through its agents with the banks in bills, whenever the discount market has faced conditions of stringency. (See Bank of England Return, Bank Rate, Discount Market, Joint-Stock Banks, Sterling Credits.)

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BANK OF ENGLAND RETURN

The statement of condition, or "Bank Return" as it is known in England, which the Bank Charter Act requires the Bank of England to publish weekly in the London Gazette. Officially, it is "an Account pursuant to the Acts 7 and 8 Victoria, ch. 32; 18 and 19 George V, ch. 13; and 9 and 10 George VI, ch. 74." The statement covers the week ending each Wednesday, appearing Thursday morning of each week, simultaneously with the Bank Rate (q. v.).

On page 49 is the Bank of England Return for the week ending Wednesday, October 8, 1947. Explanation of items follows:

No. 1. Notes issued. Circulating notes of the Bank of England, of which £ 1,374,305,021 is active circulation, and £75,942,812 notes of the Issue Department are held by the Banking Department as an asset. Notice that practically all of the circulation is the fiduciary issue, £ 1,450,000,000, which is secured by Government debt, other Government securities, other securities and silver coin. The fiduciary issue was last increased, by £ 50,000,000, on December 10, 1946, compared with three increases of £ 50,000,000 each during 1945; three increases of £ 50,000,000 each in 1944; three increases of £50,000,000 in 1943; two increases of £ 50,000,000 and one increase of £ 70,000,000 in 1942; three increases of £50,000,000 each in 1941; and one of £50,000,000 in 1940. Thus, since 1940, the fiduciary issue has been increased £ 870,000,000.

Circulation in excess of the fiduciary issue is secured 100% by gold coin and bullion, valued at monetary value of 172 s. 3 d.

No. 2. Government debt represents total loans made directly by the Bank of England to the Government.

No. 3. Other Government securities are holdings of Government bonds, Treasury bills and other Government issues.

No. 4. Other securities. This miscellaneous account includes commercial bills, foreign exchange, and holdings of bonds and stocks.

No. 5. Silver coin held as cover for the fiduciary issue. Of minor importance.

No. 6. The combined total of Nos. 2, 3, 4 and 5 represents the cover for the fiduciary issue, £1,450,000,000.

No. 7. Gold coin and bullion, held as 100% cover the note issue in excess of the fiduciary issue. Any excess of gold over that needed for cover is transferred from time to time as needed to the British Exchange Equalization Account and vice versa. These transfers in recent years have been as follows: January 6, 1939, £ 200,000,000 (at legal parity), from the Bank to the Exchange Equalization Account; March 1, 1939, approximately £5,500,000 (at current price), from the Exchange Equalization Account to the Bank; July 12, 1939, £ 20,000,000, from the Exchange Equalization Account to the Bank; September 6, 1939, £ 279,000,000, from the Bank to the Exchange Equalization Account.

As the result of these net transfers, the present gold holdings of the Issue Department are only £247,833.

In the Banking Department, the operation division of the Bank, the accounts are as follows:

No. 8. Capital, which has remained fixed at £ 14,553,000 since 1816.

No. 9. Rest, representing other capital accounts, which totals £3,149,998. Excess over £3,000,000 is available for dividends.

No. 10. Public deposits, which include deposits of the Exchequer, savings banks, Commissioners of the National Debt, and dividend accounts.

No. 11. Other deposits, consisting of: (1) bankers deposits, consisting of balances of joint-stock and private bankers in England, corresponding to "reserve balances" of British banks maintained with the Bank of England. However, no legal reserve requirements exist, so that changes in this item reflect directly fluctuations in demand and supply of banking funds. (2) Other accounts consists of balances of banks in the Dominions, Ireland, the Colonies and foreign countries; foreign Colonial Governments; English municipalities etc.

No. 12. Government securities, which include British Government obligations, advances to the Treasury, and Treasury bill holdings of the Bank, acquired at its own initiative in open market operations.

No. 13. Other securities, consisting of: (1) discounts and advances, which include Treasury bills and bills of exchange acquired by the Bank at the initiative of the market, and loans to customers such as the discount houses; (2) securities, which include foreign and domestic commercial bills acquired by the Bank at its own initiative. This account also "hides" balances of and advances to foreign central banks.

No. 14. Notes, which are the Banking Department's holdings of the Issue Department's notes not actually in circulation (see No. 1).

No. 15. Gold and silver coin, mostly silver coin, which are the available cash resources, available as cover for any increase in notes. The ratio of Nos. 14 and 15 to deposit liabilities (public and other deposits) is called the "proportion". No legal minimum is required, and as will be noted from the Comparative Statement, it is currently running at about 20%. The

proportion is comparable to the Federal Reserve ratio of reserves to deposit liabilities.

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COMPARATIVE ANALYSIS
of
BANK OF ENGLAND RETURN
(From London "Economist")

	£ Million				
	Oct. 6, 1943	Oct. 4, 1944	Oct. 3, 1945	Oct. 9, 1946	Oct. 8, 1947
Issue Dept:					
Notes in circulation	991.3	1158.7	1333.4	1361.9	1374.3
Notes in Banking Dept.	59.0	41.5	16.9	38.4	75.9
Govt. debt and secs.	1049.2	1199.3	1349.4	1398.2	1449.3
Other securities	0.8	0.6	0.6	0.8	0.7
Gold*	0.2	0.2	0.2	0.2	0.2
Banking Dept.:					
Deposits:					
Public	7.8	8.6	9.6	10.4	12.3
Bankers	150.2	177.8	232.9	267.4	288.0
Others	55.2	58.3	57.0	52.9	92.2
Total	213.2	244.7	299.5	330.9	392.5
Securities:					
Govt.	152.2	196.9	282.5	280.5	303.5
Discounts, etc.	1.9	7.5	6.7	11.2	10.0
Other	16.2	14.2	11.3	17.3	18.6
Total	170.3	218.6	300.5	309.0	332.1
Banking Dept. Res.	60.6	43.7	17.1	39.5	78.1
Proportion (%)	28.4	17.8	5.7	11.9	19.9
*Valued at (per fine oz.)	168 s.	168 s.	172 s. 3 d.	172 s. 3 d.	172 s. 3 d.

BANK OF ENGLAND STATEMENT

See Bank of England Return.

BANK OF FRANCE

The central banking institution of France, established in 1800 with a capital of 30,000,000 francs by Napoleon Bonaparte, then first consul. Its head office is located in Paris and it is required to have at least one branch in each department of the republic, operating a total of about 660 branches and offices throughout France.

The Bank of France was nationalized under law of December 2, 1945, effective January 1, 1946. At the time of nationalization, capital authorized and paid up was 182,500,000 francs, divided into 182,500 shares of 1,000 francs each, which were actively traded on the Bourse. Holders received in exchange for their stock 3% bonds, redeemable in 50 years, and the stock was transferred to the Government. As a privately owned institution, the Bank had operated under close supervision of the Government.

The exclusive right of note issue was conferred upon the Bank of France in 1848. On account of the undeveloped use of the check, the notes of the Bank of France are the chief medium of exchange for both large and small business transactions. This necessitates a large emission of bank note currency, which is the chief function of the Bank as a central bank. It is the fiscal agent for the Government and manages the public debt, but it has only limited powers to engage in open market operations, and its control over French credit conditions is exercised through its discount policy and manipulation of the discount rate. It is as the largest commercial bank in France, dealing directly with the public, that the Bank of France exercises its greatest influence, operating under its broad powers to discount bills and acceptances, which are widely used in French business. French banks, although not required by law to maintain balances at the Bank of France, keep balances and make use of the Bank's discount and collection facilities. In addition to discounting bank and commercial paper the Bank also extends loans secured by securities collateral (so-called "Lombard" loans), at premiums over the discount rates.

As the central bank for France, the Bank of France plays a supporting secondary role in implementing Treasury policies in Government financing, gold trans-

BANK OF ENGLAND RETURN
October 8, 1947

Issue Department

1. Notes Issued—	£			£
In Circulation	1,374,305,021	2. Government Debt		11,015,100
In Banking Dept.	75,942,812	3. Other Govt. Secs.		1,438,318,425
		4. Other Securities		654,179
		5. Silver Coin		12,296
		6. Amount of Fiduciary Issue		1,450,000,000
		7. Gold Coin and Bullion		247,833
	£ 1,450,247,833			£ 1,450,247,833

Banking Department

		£			£
8. Capital		14,553,000	12. Govt. Securities		303,509,705
9. Rest		3,149,993	13. Other Securities:		
10. Public Deposits		12,334,961	Discounts and Advances	9,969,585	
11. Other deposits—			Securities	18,607,315	
Bankers	287,970,224				28,576,900
Other Accts.	92,238,839		14. Notes		75,942,812
		380,209,063	15. Gold and Silver Coin		2,217,605
		£ 410,247,022			£ 410,247,022

fers to the Exchange Stabilization Fund, anti-inflation measures, and foreign exchange control. The French franc was devalued December 26, 1945 from 50 to 119 to the dollar, and gold was revalued on the basis of 134,027.90 francs per fine kilogram.

Reflecting Wartime and post-War inflation, note circulation of the Bank of France has expanded from 110,935 million francs at the close of 1938 to 721,865 million francs at the close of 1946 and 831,507 million francs July 31, 1947. During this same period, direct advances to the Government have expanded from 20,627 million francs at the close of 1938 to 493,900 million francs at the close of 1946 and 539,000 million francs as of July 31, 1947, the advances for occupation costs having remained at 426,000 million francs since 1944.

BANK OF GERMANY

With Germany under occupation and divided into four zones of occupation, without any central government, the Bank of Germany, or Reichsbank, is no longer operative. In the American Zone, the American Military Government in December, 1946 established a new central banking system, modeled on the Federal Reserve System, whereby each German state established its own central bank, taking over the assets and activities of the former Reichsbank in its area. These state central banks, however, have no power to issue notes or other currency. Provision is made for a central board to operate when and if unification of Germany is achieved, coordinating these state central banks and having the power to issue currency through the state central banks.

Accordingly, when and if Germany is unified, it is probable that restoration of the former Reichsbank along its former organizational lines would not occur. The Reichsbank before the occupation was the sole central bank for the country, operating from the central headquarters in Berlin a system of about 478 offices and many sub-branches primarily for clearing or "giro" purposes. Through these offices it dealt with bankers and the public. Banks were not required to maintain balances with the Reichsbank, but did so for the purpose of the discount and clearing facilities. The Reichsbank had the sole note issue power, and under the 1924 reorganization in accordance with the Dawes Plan, was required to maintain a minimum reserve of 40% in gold and foreign exchange against notes. By the law of 1939, however, this requirement was eliminated, and notes in circulation were required instead to be secured primarily by eligible bills of exchange and Treasury bills and securities, as well as maturing Lombard loans. This reflected the shortage of metallic reserves, and the note inflation, which reached six times the pre-War level by the time of the occupation. Advances by the Reichsbank to the Treasury on direct loans were also substantial, the 1939 law having eliminated the previous specified limitations of Rm. 100 million for direct advances and Rm. 400 million for discounts of Treasury bills.

Because of the low supply of capital in Germany and low level of commercial bank reserves, the Reichsbank exercised a major influence on German credit through its discount rate and rationing of credit. Credit rationing, in connection with discounts of banks and business concerns for the purpose of purchasing foreign exchange, meant that such borrowers in order to obtain the full amounts needed, would sell foreign exchange to the Reichsbank, thus increasing and centralizing its holdings of the country's foreign exchange.

Although its capital stock was owned by private stockholders, the Reichsbank was under the close control of the Government, being under the 1939 law directly responsible to the Fuehrer and Chancellor. In line with the trend towards nationalization, therefore, it is probable that the Reichsbank would be completely nationalized and private stock ownership eliminated should the bank ever be restored.

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BANK OF INDIA

See Central Banks (Reserve Bank of India).

BANK OF ISSUE

A bank empowered with the note issuing privilege. For example, the Bank of England, the Bank of France, and the Federal Reserve Banks are banks of issue. (See Bank Note, Circulating Notes.)

BANK OF ITALY

See Central Bank.

BANK OF NEW YORK AND TRUST COMPANY

The oldest bank in New York City, organized as the Bank of New York on March 15, 1784, and first opened for business on June 9, 1784.

This bank was strongly capitalized at the start at $500,000, all in specie. Its charter forbade the bank to incur debts in an amount more than three times its capital or to buy stocks or to speculate in real estate. Alexander Hamilton, then but 27 years old, was one of the founders and wrote its constitution. Dividends have been paid in every year since organization excepting 1837 when it was prevented from so doing because of a State-wide law against it.

This institution was not only the first bank in New York City, but for 15 years was the only bank.

BANK OF NORTH AMERICA

The oldest bank in the United States, located at Philadelphia, and chartered by the Continental Congress on May 26, 1781. It was the only charter granted by that body, but was made perpetual. The original capital was fixed at $160,000, but this was shortly after increased The bank was planned by Robert Morris, Superintendent of Finance of the Revolution, and began operations on January 7, 1782. Because some doubt was raised as to the right of Congress to charter a bank, it obtained a new, but not perpetual, charter from the state of Pensylvania in 1784. This bank performed the functions of a commercial bank, made advances to the Government, and issued circulating notes redeemable in coin. It was a success, as demonstrated by the fact that after the Revolution it paid annual dividends of 14 per cent.

Under the Pennsylvania charter, which was renewed at intervals, the bank continued its operations, until it was granted a charter under the National Bank Act. It then operated as a National bank, and by special dispensation, without a change in its original name.

As of March 1, 1923, this bank relinquished its National bank charter and its assets were purchased by the Commercial Trust Company of Philadelphia, which on the same date changed its name to Bank of North America & Trust Company, under a charter from the state of Pennsylvania. In 1929 the Bank of North America & Trust Company was merged by the institution now known as the Pennsylvania Company for Banking and Trusts.

BANK OF THE UNITED STATES

A bank known as the First Bank of the United States, chartered by Congress in 1791, and which began operations in December of that year with a capital of $10,000,000, one-fifth of which was subscribed by the Government. The plans of the bank were outlined by Alexander Hamilton, then Secretary of the Treasury.

The bank was permitted to establish branches without limit, and eight were actually put into operation The Business of the branches was restricted to receiving deposits and discounting commercial paper. The head office was located in Philadelphia.

The note issue of the bank was limited to the amount of its capital stock, and no indebtedness could be carried in excess of its deposits. It made advances to the Government, and acted as its fiscal agent. It was dissolved through the expiration of its charter in 1811.

The Second Bank of the United States was established in 1816 through the efforts of President Madison with a capital of $35,000,000, one-fifth of which was subscribed by the Government. It was organized and operated along the same lines as the First Bank of the United States, but its operations were not successful until 1819, when it became a strong institution, provided a sound circulating medium, and furnished the soundest banking system then devised in the United States. Due to the antagonism of political interests sponsoring the "state banking system," the renewal of the charter was refused, and it was dissolved in 1836.

Bibliography

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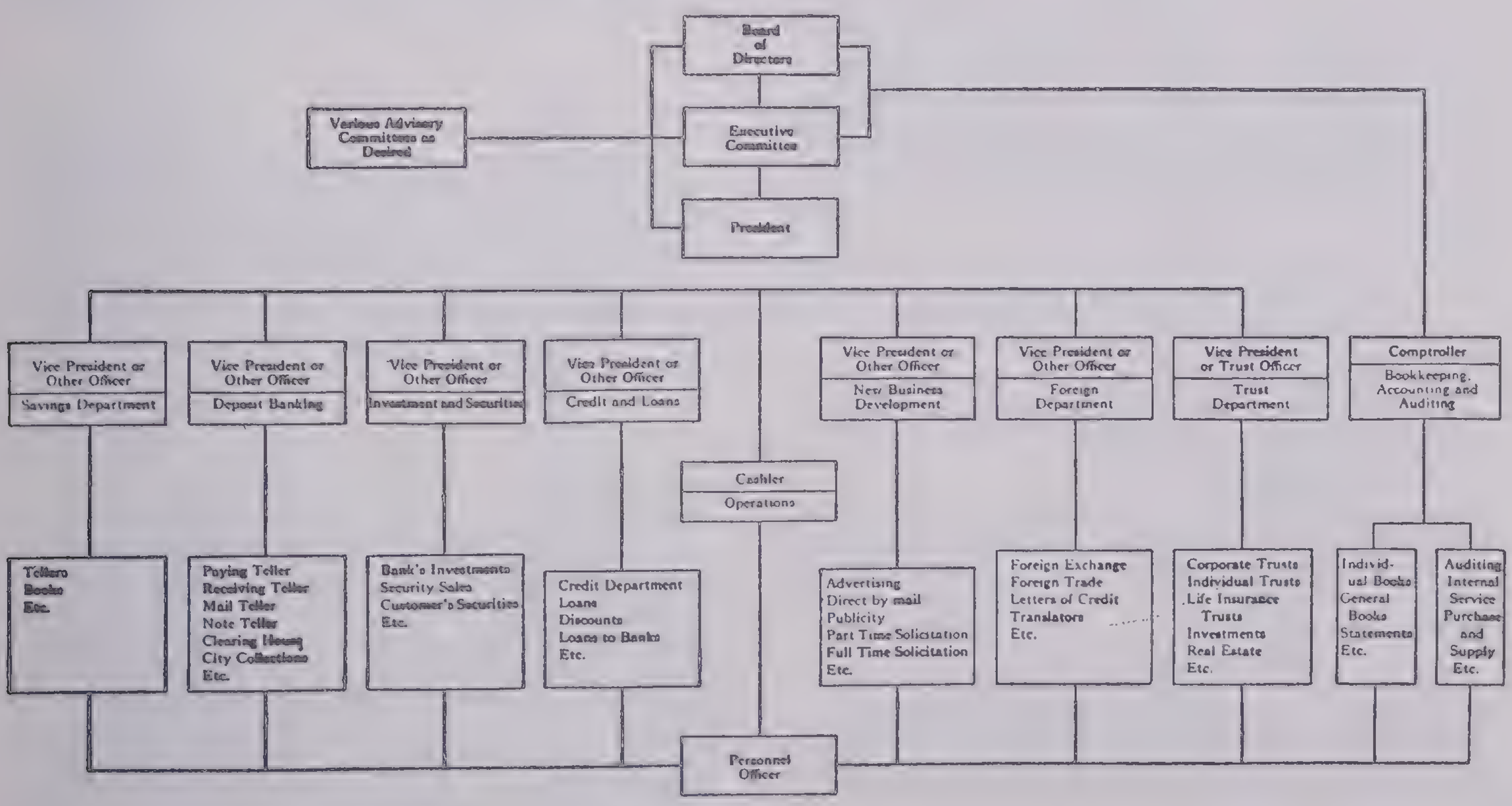
BANK OFFICERS

See Auditor, Bank Organization, Cashier, Comptroller, Trust Officer.

BANK OF UNITED STATES

This New York City institution, incorporated under New York laws in 1913, had no connection whatever with the United States or Federal banking, and at first it was denied the use of that name on the grounds of public policy. Subsequently, however, permission was granted by the New York State Banking Department. This bank failed on December 11, 1930, with some 60-odd affiliates, mostly holding companies, to which the bank had diverted loans mainly for real estate, insurance, hotel operating, and security trading operations. This bank failure was the greatest in American Banking history, with 413,000 depositors and claims totaling $189,250,743. Claims were subsequently paid a total of 76 1/8%, or $102,521,348, the final liquidating divident being paid on May 16, 1944. This liquidation experience was after 100% assessment of the stockholders of the bank, or full par value of $25 per share on the 1,010,000 shares ($25,250,000 capital), under the "double liability" statute then prevailing. However, because of collection difficulties, only about 42% of stockholder assessments were collected, or approximately $10,500,000.

Bank Organization Chart



BANK ORGANIZATION

The scheme or plan by which the various divisions, departments, sections, operating units, and individual jobs of a bank are co-ordinated and sub-ordinated, authority defined, functions described, and responsibilities located for each officer and employee, to the end that the banking business may be properly controlled, and made to operate smoothly. The modern metropolitan bank performs numerous types of services, quite diverse in their nature, and which call for expert supervision. Usually these different branches of bank service are rendered better when administered by specialists, and in many banks separate divisions of service are created, for the convenience of the public as well as from the viewpoint of internal administration, for the successful operation of which a separate officer, usually a vice-president, is responsible. To illustrate a suggested line type of organization effective for a bank of large size, a bank organization chart is presented herewith with permission of the Bank Management Commission, American Bankers Association.

A bank is owned by its stockholders, but this body is too large and unwieldy actively to manage its affairs. Control of the policies and management of the bank are therefore vested in the board of directors, elected by the stockholders, usually annually. This body is responsible to the stockholders for successful management, and to the government banking officials for the observance of the banking laws. The actual administration of the bank's operation, however, devolves upon the officers, who are appointed by the directors. The officers usually consist of a president, who in a small bank may be merely a figurehead who is primarily interested in another line of business, one or more vice-presidents, a cashier, who is usually equivalent to the general manager and whose duties are never delegated, and in large banks, a number of assistant cashiers, and perhaps a comptroller.

The larger divisions of a bank naturally fall into two classes: those serving the public and the facilitating or co-ordinating divisions. The Irving Trust Co. of New York City, which has organized its services along functional lines, calls its divisions of the first class, Deposit Division, Securities Division, Credit-Loan Division, Trust Division and Foreign Division; and divisions of the second class, Business Extension Division, Publicity Division, General Co-ordinating Division, and Auditing Division.

For the steps necessary in forming a new bank, see National Bank, State Bank, Trust Company. See Organization Chart on page 51.

BANK PAPER

This term has two meanings:
(1) Bankable Paper (q. v.).
(2) Paper bearing the indorsement or acceptance of a bank, e. g., a bank acceptance, or note rediscounted at a Federal Reserve bank.

BANK RATE

A term applied to the rate of discount fixed by the Bank of England, or other central bank of Europe, as distinguished from the open market rate. The English bank rate is the minimum rate at which the Bank of England will discount approved bills of exchange. The rate was 2% from July 6, 1932, to August 23, 1939, when it was raised to 4%; subsequently, it was reduced to 3% September 27, 1939 and to 2% on October 26, 1939, at which level it has since remained.

The equivalent to the bank rate in the United States is the Federal Reserve rate of rediscount which may vary in the separate Federal Reserve districts. (See Rediscount Rate.)

BANK REFERENCE

The name of a bank with which a concern has an account, given to another concern as a reference in order that its credit standing may be investigated. Before accepting new accounts banks usually investigate the character, ability and financial responsibility of their customers, and through constant contact are in a position to give an opinion to others concerning the standing of their customers.

BANK RESERVE

The proportion of cash or balances on deposit with other banks which a bank is required by law or by banking policy to keep against deposits. In the United States, reserve requirements are prescribed by law; in England, France and many other countries, the reserve is left to the discretion of the bank management. Member banks of the Federal Reserve System keep their reserves with the Federal Reserve bank of their district. State banks and trust companies keep their reserves in the form designated by state law. Generally this requirement consists of a certain percentage in the form of deposits with other banks. As a rule, state laws permit state banks and trust companies which are members of the Federal Reserve System to follow the provisions of the Federal Reserve Act in lieu of state requirements. (See Reserve.)

BANK RETURN

A term given to a bank statement or balance sheet in England, e. g., Bank of England Return. The term is sometimes applied in this country to denote the weekly statement of the New York Clearing House Banks, which is also known as "Individual Bank Return," "Statement of the Associated Banks," and as "Clearing House Statement." (See Bank of England Return, Clearing House Statement.)

BANK STAMP

The indorsement of a bank placed on the reverse side of a check, note, acceptance or other negotiable instrument with a rubber stamp or an indorsement machine. Bank indorsement stamps are of two kinds, direct and general. In a direct indorsement the name of the payee bank is specifically stated, whereas a general indorsement bears the words, "Pay to the Order of any Bank or Banker." The general indorsement is in more common use since it permits standardization, thus enabling the bank to dispatch large number of checks with the minimum of time and labor.

BANK STATEMENT

A financial statement or Balance Sheet (q. v.) of a bank, exhibiting the nature and amount of its assets, liabilities and net worth. National banks are required to submit statements of condition upon call of the Comptroller of the Currency (see Comptroller's Call) at least three times a year at irregular intervals. Immediately following the call the statement is required to be published in the local newspapers for the benefit of the public. Similar requirements are imposed upon state banks and trust companies by the various state banking laws.

Inasmuch as banks hold the key to the credit structure of the nation, and the collapse of banking credit would bring ruin throughout industrial and commercial life, the solvency of the banks is of paramount public concern. The publication of bank statements helps the public, stockholders and depositors to determine; (1) the bank's indebtedness to depositors; (2) the bank's indebtedness to stockholders; (3) the quality and liquidity of the assets; (4) the ability of the bank to discharge its obligation to depositors; (5) the excess of assets over liabilities; and (6) amount of reserves.

In the following examples four types of bank statements are exhibited:

"LEGAL" STATEMENT OF A NATIONAL BANK

Charter No. 1461 Reserve District No. 2

Report of Condition of

THE NATIONAL CITY BANK OF NEW YORK

Head Office and Domestic Branches of New York, in the State of New York, at the close of business on December 31, 1947, published in response to call made by Comptroller of the Currency, under Section 5211, U. S. Revised Statutes:

ASSETS

1.	Cash, balances with other banks, including reserve balance, and cash items in process of collection	$1,172,069,298.55
2.	United States Government obligations, direct and guaranteed	2,022,793,547.30
3.	Obligations of States and political subdivisions	229,717,366.32
4.	Other bonds, notes, and debentures	85,219,709.66
5.	Corporate stocks (including $7,200,000.00 stock of Federal Reserve bank)*	14,900,003.00
6.	Loans and discounts (including $227,244.78 overdrafts)	994,853,413.55
7.	Bank premises owned	26,784,720.38
10.	Customers' liability to this bank on acceptances outstanding	21,808,022.81
11.	Other assets	10,834,483.72
12.	Total Assets	$4,578,980,565.29

LIABILITIES

13.	Demand deposits of individuals, partnerships, and corporations	$2,776,571,531.44
14.	Time deposits of individuals, partnerships, and corporations	340,113,631.73
15.	Deposits of United States Government (including postal savings)	69,722,169.06
16.	Deposits of States and political subdivisions	44,774,871.73
17.	Deposits of banks	708,017,229.45
18.	Other deposits (certified and cashier's checks, etc.)	194,856,658.02
19.	Total Deposits $4,134,356,091.43	
22.	Acceptances executed by or for account of this bank and outstanding	24,318,880.16
23.	Other liabilities	150,189,979.91
24.	Total Liabilities	$4,308,864,951.50

CAPITAL ACCOUNTS

25.	Capital Stock: (c) Common stock, total par	$77,500,000.00
26.	Surplus	162,500,000.00
27.	Undivided profits	30,115,613.79
29.	Total Capital accounts	270,115,613.79
30.	Total Liabilities and Capital Accounts	$4,578,980,565.29

MEMORANDUM

31.	Assets pledged or assigned to secure liabilities and for other purposes**	$251,123,478.00

*Includes ownership of International Banking Corporation $7,000,000.00.

**Including pledges for account of Foreign Branches.

State of New York, County of New York, ss.:

I, N. C. LENFESTEY, Cashier of the above-named bank, do solemnly swear that the above statement is true to the best of my knowledge and belief.

N. S. LENFESTEY, Cashier.

Sworn to and subscribed before me this 12th day of January, 1948.

(Seal) JAMES F. CASEY
Notary Public.

Correct—Attest:
CLEVELAND E. DODGE
ROGER MILLIKEN
GUY CARY
Directors.

"LEGAL" STATEMENT OF A NEW YORK STATE TRUST COMPANY

Report of Condition of the

CORN EXCHANGE BANK TRUST COMPANY

of New York, New York, a member of the Federal Reserve System, at the close of business on December 31, 1947, published in accordance with a call made by the Superintendent of Banks pursuant to the provisions of the Banking Law of the State of New York and the Federal Reserve Bank of this district pursuant to the provisions of the Federal Reserve Act.

ASSETS

Cash, balances with other banking institutions, including reserve balances, and cash items in process of collection	$214,445,596.39
United States Government obligation, direct and guaranteed	508,552,309.09
Obligations of States and political subdivisions	10,602,955.21
Corporate stocks (including $1,200,000 stock of Federal Reserve Bank)	2,079,940.00
Loans and discounts (including $53,833.04 overdrafts)	81,554,066.40
Banking premises owned	7,804,601.60
Customers' liability to this institution on acceptances outstanding	480,268.52
Other Assets	2,562,849.51
TOTAL ASSETS	$828,082,586.72

LIABILITIES

Demand deposits of individuals, partnerships, and corporations	$673,818,964.47
Time deposits of individuals, partnerships, and corporations	44,700,020.01
Deposits of United States Government	6,124,958.69
Deposits of States and political subdivisions	10,888,188.12
Deposits of Banking institutions	40,792,475.45
Other deposits (certified and officers' checks, etc.)	5,879,562.87
TOTAL DEPOSITS	$782,204,169.61
Acceptances, executed by or for account of this institution and outstanding	645,308.91
Other Liabilities	1,640,265.58
TOTAL LIABILITIES	$784,489,744.10

CAPITAL ACCOUNTS

Capital†	$ 15,000,000.00
Surplus fund	25,000,000.00
Undivided profits	3,592,842.62
TOTAL CAPITAL ACCOUNTS	$ 43,592,842.62
TOTAL LIABILITIES AND CAPITAL ACCOUNTS	$828,082,586.72

†This institution's capital consists of common stock with total par value of $ 15,000,000.00

MEMORANDA

Assets pledged to secure liabilities and for other purposes	$ 21,812,302.30

I, HAROLD H. BOSWELL Secretary-Treasurer of the above named institution, hereby certify that the above statement is true to the best of my knowledge and belief.

Correct—Attest:

H. H. BOSWELL

D. B. SHERER
RALPH PETERS, JR. Directors
J. R. McWILLIAM

REPORT OF AN AFFILIATE

of a bank which is a member of the Federal Reserve System, published in accordance with the provisions of the Federal Reserve Act.

Report as of December 31, 1947, of Corn Exchange Safe Deposit Company, which is affiliated with Corn Exchange Bank Trust Company, New York, New York.

Kind of business: Safe Deposit and Storage.

Manner in which above-named organization is affiliated with member bank, and degree of control: Stock Ownership, Corn Exchange Bank Trust Company owns 9,990 shares of 10,000 shares of Capital Stock of Corn Exchange Safe Deposit Company outstanding.

Financial relations with bank.

Stock of affiliated bank owned (par value)	None
Loans to affiliated bank	None
Borrowings from affiliated bank	None
Stock of affiliate registered in name of bank or known to be owned by bank directly or indirectly	$999,000
Other obligations to, or known to be held by affiliated bank	None
Other information necessary to disclose fully relations with bank	None

I, RICHARD L. MIDDLETON, Vice President and Treasurer of Corn Exchange Safe Deposit Company, do solemnly swear that the above statement is true, to the best of my knowledge and belief.

R. L. MIDDLETON
Vice President and Treasurer.

Sworn to and subscribed before me this 13th day of January, 1948.
(Seal) MARIE C. ZEISLER , Notary Public.

Condensed Statement of Condition as of December 31, 1947

THE NATIONAL CITY BANK OF NEW YORK

INCLUDING DOMESTIC AND FOREIGN BRANCHES

ASSETS		LIABILITIES		
Cash and Due From Banks	$1,443,283,802.54	Deposits (Includes U. S. War Loan Deposit $23,605,479.44)		$4,874,418,234.40
United States Government Obligations (Direct or Fully Guaranteed)	2,131,035,233.67	Liability on Acceptances and Bills	$33,460,941.47	
Obligations of Other Federal Agencies	28,214,818.55	Less: Own Acceptances in Portfolio	8,427,813.35	25,033,128.12
State and Municipal Securities	231,062,937.10			
Other Securities	80,775,281.37	Reserves for:		
Loans, Discounts, and Bankers' Acceptances	1,215,660,245.15	Unearned Discount and Other Unearned Income		5,673,264.16
Real Estate Loans and Securities	2,819,262.64	Interest, Taxes, Other Accrued Expenses, etc.		23,393,787.62
Customers' Liability for Acceptances	22,309,380.78	Dividend		4,650,000.00
Stock in Federal Reserve Bank	7,200,000.00	Capital	$77,500,000.00	
Ownership of International Banking Corporation	7,000,000.00	Surplus	162,500,000.00	
Bank Premises	28,491,252.22	Undivided Profits	30,115,613.79	270,115,613.79
Items in Transit with Branches	2,977,703.78			
Other Assets	2;454,110.29			
Total	$5,203,284,028.09	*Total*		$5,203,284,028.09

Figures of Foreign Branches are as of December 23, 1947

$251,123,478.00 of United States Government Obligations and $3,330,105.00 of other assets are deposited to secure $207,922,739,07 of Public and Trust Deposits and for other purposes required or permitted by law.

CONDENSED STATEMENT OF A NEW YORK STATE TRUST COMPANY

As of December 31, 1947

Report of Condition of

CORN EXCHANGE BANK TRUST COMPANY

At the close of Business December 31, 1947.

ASSETS

Cash in Vaults and Due from Banks		$214,445,596.39
U. S. Government Securities		508,552,309.09
Federal Reserve Bank Stock		1,200,000.00
State, Municipal and Public Securities		10,602,955.21
Other Securities		879,940.00
Loans and Discounts		79,963,291.35
First Mortgages		1,590,775.05
Customers' Liability on Acceptances		480,268.52
49 Banking Houses		7,804,601.60
Accrued Income Receivable		2,274,906.94
Other Assets		287,942.57
		$828,082,586.72

LIABILITIES

Capital	$15,000,000.00	
Surplus	25,000,000.00	
Undivided Profits	3,592,842.62	$ 43,592,842.62
Reserve for Taxes, Expenses, etc.		1,640,265.58
Acceptances Outstanding	$ 1,093,576.54	
Less: Held in Portfolio	448,267.63	645,308.91
Deposits		782,204,169.61
(Includes $6,124,958.69 U. S. Deposits)		$828,082,586.72

MEMORANDUM:

U. S. Securities pledged to secure deposits for other purposes as required by law...$21,812,302.30

The term is also applied to the weekly report of the condition of the New York Clearing House banks, otherwise known as Individual Bank Return and as Bank Return. In a broad sense, the term also applies to the weekly statements of the Federal Reserve banks, the reports of the member banks to the Federal Reserve Board, and the brokers' loan figures compiled by the Federal Reserve Board and the New York Stock Exchange. (See Bank Debits, Brokers' Loans, Condition of Member Banks, Clearing House Statement, Federal Reserve Statement, General Ledger.)

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BANK STOCK

The shares of banks and trust companies. National bank stock may be Preferred Stock or Common Stock, but various States allow only one class of stock, i. e., common. Bank stock is regarded as having investment qualities superior to common stocks of other corporations, and normally commands a price greater than book value, due to the fact that the assets of a bank are practically all liquid, and have a liquidating value practically equivalent to book value. Since most banks carry a large surplus and undivided profits, their shares are quoted at high prices. The yield is normally lower than for other stocks.

Bank stocks of well managed institutions usually make satisfactory investments, provided the investor does not require a large return. They combine to a high degree (if purchased at book value or below) safety of principal, regular income, together with long term potentialities of appreciation in market value. With the growth of American cities, it is only normal that commercial banks and trust companies should grow, and with this growth and the regular "plowing back" into capital funds of earnings in excess of conservative dividends, stockholders are practically assured from time to time either large cash returns, an increase in the equities behind the stock, or rights to subscribe to additional stock on favorable terms. Therewith there are corresponding gains in market quotations.

Bank stocks enjoy characteristically high earnings leverage, represented by the ratio of deposits and earning assets in relation to capital funds. With the substantial increase in deposits and earning assets since 1933, when interest on demand deposits, major source of deposits, was prohibited by law, earnings leverage has been high in volume and low in cost. Consequently, a future rise in interest rates and in yields on earning assets from low levels of recent years would have a powerful effect, because of the high leverage, on earnings on capital funds.

In considering the investment value of bank and trust company stocks, it should also be emphasized that these institutions do not usually depend upon any one industry (except in certain small towns of the West and South serving agricultural interests almost exclusively), one crop, or locality. Stockholders are also protected by virtue of the regulation and supervision imposed by the National and state bank laws. In large cities, banks which are members of the clearing house are examined by its inspectors. By means of these periodic examinations, the managements are warned of incipient dangers, thereby affording a further safeguard to depositors and stockholders.

Seasoned bank stocks are generally regarded as sound investments for fiduciary funds in states where there is no statutory list of legal investments and the rule of ordinary care and prudence is followed.

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Heidel, W. C.: The Banking Industry and the Position of Bank Stocks From the Viewpoint of the Investor, 1944.

BANKABLE PAPER

Paper (q. v.), the principal debtors or indorsers of which have a sufficiently high credit standing that a bank will readily discount it.

BANKER

A term loosely applied to a person engaged in the banking business; one who lends funds belonging to others, as distinguished from one who lends his own money, i. e., a capitalist. The banking laws of many states reserve the term "banker" to designate private banks as distinguished from incorporated banks, at the same time restricting the term "bank" to incorporated banks. The term is often improperly used as the equivalent of the term Financier (q. v.), and to include investment bankers, stock exchange brokers, syndicate managers, etc. (See Individual Banker, Private Banks.)

BANKER'S ACCEPTANCE

See Bank Acceptance.

BANKERS' ASSOCIATIONS

Associations of banks, bankers, trust companies, etc., formed to promote their general welfare and usefulness, to secure favorable legislation, to disseminate useful information on banking practices and customs, and to secure mutual protection against crime. The most important of these associations is the American Bankers' Association (q. v.), which includes a division each for national banks, state banks, stock savings banks and trust companies. Other bankers' associations of national scope and influence are the Association of Reserve City Bankers, Investment Bankers' Association of America, National Association of Mutual Savings Banks, Farm Mortgage Bankers' Association of America (q.v.) and Morris Plan Bankers' Association.

Besides the bankers' associations of national scope, practically every state has a separate bankers' association, e. g., New York Bankers' Association, Ohio Bankers' Association, Wisconsin Bankers' Association, etc. Many of these state-wide associations publish a sectional bank magazine under their auspices. (See Financial Magazines.) In several states mutual savings banks and investment bankers have organized separate state associations.

BANKER'S BANK

A bank located in a large city and which specializes in transactions with other smaller banks. A term also applied to a Central Bank (q. v.), such as the Federal Reserve Banks or the Bank of England.

BANKER'S BILL

A bill of exchange drawn by a bank in one country upon a bank in another country, usually against credit balances and without supporting documents, as distinguished from a commercial bill. (See Bill of Exchange.)

BANKER'S DRAFT

A check or bill drawn by one bank against balances deposited with another. The term usually applies to domestic transactions. (See Draft.)

BANKERS' SHARES

A term introduced with the early American investment "trust" shares of the fixed type, and now largely obsolete. The term designated the certificates of ownership issued by the trustee, usually a trust company, upon deposit by the sponsor of units of the underlying securities.

For example, upon deposit with the trustee of the designated fixed unit, say 10 shares each of each of 25 specific companies, the trustee issued to the sponsor 2,000 certificates of ownership, or "bankers' shares," which were sold to investors by the sponsor and distributors. Each certificate of ownership evidenced the holder's 1/2000th interest in the underlying unit. Upon accumulation of 2,000 certificates of ownership the holder usually had the privilege of presenting them for the underlying unit under stated conditions.

The 1929-1932 deflation took a heavy toll of fixed type investment "trusts," and none is now being actively offered. Because of termination dates in the future, however, various of these fixed type companies are still in legal existence, slated for complete liquidation upon termination dates.

For full treatment of this subject, see Investment Companies.

BANKING

See subjects beginning with Bank, also American Bankers' Association, Bank, Building and Loan Association, Credit Union, Federal Land Bank, Federal Reserve Bank, Federal Reserve System, Foreign Banking Corporations, Investment Company, Land Banks, Morris Plan Company, Mortgage Company, National Bank, National Banking System, National Farm Loan Association, Personal Loan Company, Postal Savings Bank, Private Banks, Safe Deposit Company, Savings Banks, Savings and Loan Associations, State Bank, Title Insurance Company, Trust Company.

For Bibliography on Banking, see Bank.

BANKING ACT of 1933

An act, approved June 16, 1933, effectuating important changes in relation to Federal Reserve Banks, member banks, national banks, state and mutual savings banks, Morris Plan banks, and postal savings. Also known as the Glass Act, and Glass-Steagall Act.

Among other things, this act:

1. Provides for the co-ordination of Federal Reserve open-market activities, for the prevention of speculative uses of credit, for regulation of interbank control, for the insurance of deposits in member banks, for regulation of their operations, for separation of security affiliates and permits branch banking.

2. Creates a Federal Open Market Committee, one member selected by each Reserve Bank directorate, to regulate open-market activities and provides that undue use of bank credit may subject a member bank to suspension.

3. Creates the Federal Deposit Insurance Corporation, and provides for a deposit insurance fund made up of $150,000,000 appropriated by the Federal Government plus stock subscriptions.

4. Provides for a temporary deposit insurance fund from January 1, 1934, to June 30, 1934, insuring individual deposits to $2,500.

5. Provides that after July 1, 1934, the corporation should insure the deposits of all member banks, deposits under $10,000 being fully covered; the next $40,000, 75 per cent.; over $50,000, 50 per cent. Deposits in non-member State banks holding Class A stock are insured until July 1, 1936. Membership in the insurance corporation after July 1, 1936, is limited to national banks and members of the Federal Reserve System.

6. Forbids member banks to act as agent in security loans to brokers or dealers, to extend credit to purchase securities under repurchase agreement from any affiliate, to invest in affiliate obligations, or to accept obligations of affiliates as collateral on loans exceeding 10 per cent. of capital or surplus.

7. Provides that no executive officer shall borrow from his member bank and that he must report to his board of directors concerning loans from another member bank.

8. Permits investment transactions without recourse for customer's account; permits purchases on own account under comptroller regulations, and provides that the securities of a single obligor should not exceed 10 per cent. of outstanding issues.

9. Security affiliates not permitted after one year; security corporations prohibited from engaging in banking business.

10. Branch banking within a city permitted with the approval of the Comptroller wherever State banks are expressly so authorized; branch banking within a State permitted wherever statutes specifically permit, but no branches permitted beyond the city unless unimpaired capital is at least $500,000 or minimum of $250,000 in States with population under 1,000,000 and which have cities therein of more than 100,000 population, or a minimum of $100,000 in States under 500,000 population which have no cities exceeding 50,000 population.

BANKING ACT OF 1935

An act, approved August 23, 1935, amendatory to (1) Banking Act of 1933 (q. v.), (2) Federal Reserve Act, and (3) other banking statutes. Title I concerns itself with Federal deposit insurance; Title II with amendments to the Federal Reserve Act; and Title III with (a) "technical" amendments to the banking laws; (b) amendments to Federal Reserve Act; (c) amendments to National Bank Act (revised statutes), and (d) amendments to miscellaneous acts.

The principal provisions of the Banking Act of 1935 are as follows:

1. Created an open market committee of seven Federal Reserve Board members and five representatives of the twelve regional Reserve banks with power to control credit fluctuations by purchasing and selling government bonds in the open market by the Reserve banks.

2. Retained existing statutory requirements governing maintenance of reserves against deposits as a further check on use of bank funds for speculation. By a vote of not less than five of the seven board members the then existing requirements of 7, 10 and 13 per cent. could be doubled, but not lowered.

3. Allowed Reserve banks to continue to propose changes in rediscount rates, subject to board approval, rates to be restated at least every two weeks. The board could veto the proposed rates or change them.

4. Reorganized Reserve Board into a seven-member bipartisan board, all appointive and all having the title of "governor", to serve fourteen-year terms at $15,000 salaries. Secretary of Treasury and Comptroller of currency were removed as ex-officio members. Not more than four of seven could be of same political party. The President would select a chairman and vice-chairman from the seven to serve for four years.

5. Gave head of twelve Reserve banks title of "Pres-

ident" instead of "governor" so as not to conflict with the new Reserve Board titles. Presidents would be selected for five-year terms by the bank boards, subject to Reserve Board approval.

6. Made permanent the temporary law expiring August 31, 1935, fully insuring bank deposits up to $5000. Provides annual assessment on banks for insurance fund membership of one-twelfth of 1 per cent. of total deposits, assessments to continue until the fund reaches $500,000,000 then to be resumed when that total is impaired 15 per cent.

7. All state banks organized after bill becomes law would have to join the Federal Reserve System by July 1, 1937, in order to obtain deposits insured. The same requirement is applied to all state banks then in operation with deposits of $1,000,000 or more if they desired to remain insured.

8. Prohibited a banker from serving on the board of more than two banks.

9. Permits national banks to make five-year real estate loans up to 50 per cent. of appraisal value of the property with aggregate loans not to exceed the capital and surplus of the bank, or 60 per cent. of its time and savings deposits, whichever is the greater. Loans could be made up to 60 per cent. if secured by mortgage insuring repayment of at least half the loan in ten years.

BANKING DEPARTMENT

See State Banking Department.

BANKING HOUSE

The premises or building in which a bank conducts its business. The banking house and fixtures and appliances are the only fixed assets a national bank is permitted to own. "Other Real Estate" of national banks therefore represents realty taken to avoid or minimize loss on defaulting loans on real estate, and required to be disposed of within a reasonable time.

Under the Banking Act of 1933, no national bank, without approval of the Comptroller of the Currency, and no state member bank, without approval of the Board of Governors of the Federal Reserve System, shall thereafter invest in or lend on bank premises directly or indirectly if the total of such loans and investments will exceed the bank's capital stock.

Very often the banking house is carried on the balance sheet at a nominal value, i. e., at a value much below the market value.

BANKING POWER

The lending or investing power of a bank; as measured by its excess reserves, i. e., reserves maintained in excess of legal reserve requirements, which furnish the basis for expansion of loans and investments. For the banking system as a whole, the power to expand loans and investments is the reciprocal of the average reserve requirements. Thus, with reserve requirements for the Federal Reserve System averaging in fact about 15%, the system as a whole can expand loans and investments approximately 6 2/3 times for every dollar in excess reserves.

BANKING SUPPORT

An expression to denote the purchase of securities in sufficient volume to stabilize the market after a break in prices, by large and influential banking and financial interests Since 1933, with the prohibition of pools and other speculative devices in security markets, liquidation of security affiliates of banks, raising of margin requirements, and increase in capital gains taxes, banking support on declines in security markets has become more fictional than real. Most important source of institutional support has now developed in the investment companies (q v.). (See Support.)

BANKING SYNDICATE

A group of banks associated together with one as manager for the purpose of underwriting and floating an issue of securities. Under the Banking Act of 1933 (q. v.), member banks were forbidden to trade in and underwrite securities, except U. S. Government direct obligations and guaranteed obligations, and state and municipal issues; and the same act required the divorcement of security affiliates (q. v.) by member banks one year from June 16, 1933, date of enactment of the act. (See Syndicate.)

BANKRUPT

A debtor (person or corporation), who being unable to meet his business obligations in full, has been declared by Court decree to be entitled to operation of the bankruptcy laws. Original Federal bankruptcy law (Bankruptcy Act, July 1, 1898), a liquidation statute, has been amended by various provisions which now provide for the rehabilitation or reorganization of debtors, adjustments and settlements. (See Bankruptcy.)

BANKRUPTCY

A condition of Insolvency (q. v.) in which the property of the debtor or insolvent is taken possession of by a receiver or trustee in bankruptcy for distribution among the creditors under the direction of a bankruptcy court and through the operation of the National Bankruptcy Act of 1898. From the original limited purpose of the Act of marshalling assets of the bankrupt for liquidation, this Federal legislation has evolved so that the term bankruptcy today includes rehabilitation and discharge of debts for individuals, partnerships, corporations (with exceptions), farmers, railroads and municipalities. Bankruptcy is a court proceeding which may be brought at the instance of the insolvent himself, in which case it is called voluntary bankruptcy, or upon the petition of a creditor or creditors, in which case it is involuntary bankruptcy. To be adjudged an involuntary bankrupt the insolvent must have committed an "act of bankruptcy" (see National Bankruptcy Act, Sec. 3) and be indebted in the sum of not less than $1,000.

The purposes of bankruptcy are (1) to permit an individual, partnership or corporation which is hopelessly insolvent to free itself of a debt which is unsupportable by wiping out its excess of liabilities, and giving it a clean slate, provided there is an absence of fraud, and (2) to protect the creditors from further losses and to insure their participation to the fullest extent in the property of the bankrupt.

There was no federal bankruptcy law during about two-thirds of our national existence. Bankruptcy legislation in the United States has been passed largely to clean up the economic mess left by a panic. The first bankruptcy law was adopted in 1800 and repealed three years later. It grew out of the business crisis caused by English and French restraint on American trade. The second bank-

ruptcy act, passed in 1841, was directly due to the acute distress resulting from the panic of 1837. This act lasted only eighteen months. The next bankruptcy act became a law in 1867. It endured for eleven years. The present bankruptcy law was enacted in 1898. Unlike its three predecessors it was not repealed when the immediate crisis causing its passage had passed.

So long as there is no federal act the states are free to enact insolvency laws. These are automatically suspended when a federal law goes into effect. State insolvency legislation has two fundamental defects. In the first place its administration is limited by state lines, and secondly the state cannot grant a binding discharge owing to the constitutional provisions against a state's impairing the obligation of contracts.

Bankruptcy is concerned with insolvencies. Insolvency is defined by Congress as an excess of liabilities over assets taken at a fair valuation. This definition has nothing to do with the Constitution and Congress would be entirely free to define insolvency as inability to pay one's debts as they mature. The latter definition is the usual understanding in other kinds of administration of insolvent estates and is the customary definition in foreign bankruptcy laws. To a certain extent this latter definition has also been accepted in the recent amendments to the bankruptcy law, to which reference is made below.

Banking and insurance corporations and building and loan associations are entirely outside the present federal bankruptcy act. All other persons and corporations can take advantage of the act if they wish. Involuntary petitions may be filed against all persons committing an act of bankruptcy except farmers and wage earners. Railroad corporations were brought within the purview of bankruptcy in 1933.

Bankruptcy administration has both advantages and disadvantages in comparison with equity receiverships and assignments for the benefit of creditors, which are the two chief rival methods. The bankruptcy court has jurisdiction over the bankrupt's property wherever situated. This insures a unified administration. It makes unnecessary the cumbersome and expensive system of ancillary receiverships which is characteristic of an equity control of a corporation with property in several states. The fees of bankruptcy administrative officers are limited by law, whereas such fees are subject to the court's discretion in the case of an equity receivership.

Only in bankruptcy may preferences ordinarily be set aside. Bankruptcy also has much the more severe penalties for concealment of assets and interferences generally with the administration of the estate. Only in bankruptcy, too, may there by a discharge of the debtor. This is of great importance when an individual bankrupt is involved, but makes less difference if the outcome is to the winding up of a corporation.

The chief disadvantages of bankruptcy heretofore were that for the most part bankruptcy contemplated only liquidation, whereas a reorganization was possible in an equity receivership. Provisions for bankruptcy administration were not flexible. In dealing with small estates That especially relating to corporations, entitled Corporate Bankruptcy Act was approved June 7, 1934. The Emergency Railroad Transportation Act was passed June 16, 1933. The Municipal Bankruptcy Act was approved May 24, 1934. Sections of the law which indicate its present wide applicability are: Chapter X, for corporate reorganization of secured obligations; Chapter XI, for those seeking an arrangement with general unsecured creditors; Chapter XII, for real property arrangements by persons other than corporations; and Chapter XIII, for the wage earner plan for debtors burdened with garnishment.

In the case of insured banks, the Federal Deposit Insurance Corporation acts as receiver for all national banks, and it may be appointed receiver for state banks which are placed in receivership. In the case of insurance companies, the states exercise jurisdiction over insolvent companies as part of their regulation of operations. (See Corporate Bankruptcy Act, Insolvency, Municipal Bankruptcy Act, National Bankruptcy Act.)

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BANKRUPTCY ACT

See National Bankruptcy Act.

BANKS FOR CO-OPERATIVES

The Central Bank of Co-operatives was organized in the District of Columbia under the Farm Credit Act of 1933 (passed on June 16), with initial capital stock of $50,000,000. Twelve regional banks for co-operatives, each with a capital stock of $5,000,000 were organized under the authority of the act, one located in each of the 12 Federal land bank cities.

The captial stock of the Central Bank of Co-operatives and of the 12 banks for co-operatives as provided by law shall be in such amount as the Governor of the Farm Credit Administration determines is required to meet the credit needs of eligible borrowers. Subscriptions and payments for stock in the Central Bank for Co-operatives and in the banks for co-operatives are make by the Governor of the Farm Credit Administration from the revolving fund under the Agricultural Marketing Act, as amended. Such subscriptions may be increased or decreased from time to time at the discretion of the Governor of the Farm Credit Administration subject in the instance of the Central Bank for Co-operatives to certain restrictions of the law. The retirement of stock subscribed by the Federal Government may be required whenever in the judgment of the Governor of the Farm Credit Administration any of the banks have resources available.

Additional capital stock is subscribed by the co-operative associations. Each co-operative association borrowing from the Central Bank or from 1 of the 12 banks for co-operatives must own or purchase at the time the loan is made an amount of stock in the bank equal in fair book value (not to exceed par) to $100 per $2,000 borrowed. Such stock is retired on payment of the loan at the purchase price, less the pro rata impairment, if any. If the State law under which the co-operative association is organized does not permit subscriptions to stock in the banks for co-operatives, it must pay into a guaranty fund an amount equal to the stock subscription it otherwise would have been required to make.

After the deduction from earnings of operating expenses, losses, and amounts necessary to restore impairment of capital, if any, the Central Bank for Co-operatives and each of the 12 banks for co-operatives must apply 25 per cent. of the remainder to the creation

and maintenance of a surplus equal to at least 25 per cent. of the capital and guaranty fund. Any sums remaining, may with the approval of the chairman of the board of the bank, be devoted to the payment of dividends, which by law shall not exceed 7 per cent.

Management—The Central Bank for Co-operatives has seven directors. The Co-operative Bank Commissioner is chairman of the board. The other 6 directors are appointed by the Governor of the Farm Credit Administration and the successors of the 3 first chosen will be appointed from nominees selected by borrowers as provided in the act. The chairman is the executive officer of the bank. The directors serve without compensation. except for reasonable per diem expenses. The directors of the Federal land bank of the district are the ex-officio directors of the regional bank for co-operatives located within the district. The compensation of officers and employees of each of the banks for co-operatives is fixed by its directors, subject to the approval of the Governor of the Farm Credit Administration.

Loans and Discounts—The function of the Central Bank for Co-operatives and the 12 banks for co-operatives is to extend credit to co-operative associations as that term is defined in the act. The Central Bank for Co-operatives is authorized to make loans direct to co-operatives, and to discount loans of the 12 banks. The 12 banks for co-operatives are authorized to make loans to co-operative associations only. The Central Bank for Co-operatives will consider applications by co-operative associations requiring loans of more than $500,000. Although all applications for loans in excess of $300,000 will be made to the Central Bank for Co-operatives, those under $500,000 may be referred at the discretion of the Co-operative Bank Commissioner to the banks for co-operatives for final action. In general, loans of $300,000 or less will be made by the banks for co-operatives.

Credit may be extended to a co-operative association to assist in: (1) Processing, preparing for market, handling, or marketing farm products; (2) purchasing, testing, grading, processing, distributing or furnishing farm supplies; or (3) furnishing farm business services. Types of credit available are: (1) commodity loans; (2) operating capital loans; and (3) physical facility loans.

Loans for the financing of physical facilities shall be made only if the Governor of the Farm Credit Administration finds that the purchase price or rent is reasonable. No such loans may be made in excess of 60 per cent. of the value of the facilities.

Maturities—It is generally required that the effective merchandising loans shall be repaid at the end of the marketing season of the commodity for which the loan was obtained, though such loans may be of somewhat longer duration when circumstances warrant.

The duration of physical facility loans is determined primarily by the borrower's ability to repay as disclosed by its record of operation or, in the case of new associations, on what may be reasonably anticipated on the basis of prospective volume, costs of operation, and so on. Physical facility loans may be repaid by amortization over a period not in excess of 20 years, but are generally repaid over periods of five to ten years.

Rates of Interest.—The loan rates of the Central Bank for Co-operatives and of the 12 banks for co-operatives are prescribed by the Governor of the Farm Credit Administration and may not be more than 6 per cent. on the unpaid principal. The rate on effective merchandising loans shall exceed by approximately 1 per cent. the Federal intermediate credit bank discount rate. The rate on facility loans shall generally conform to the prevailing rate on mortgage loans made to members of national farm loan associations. On December 31, 1946, the rates in the continental U. S. were as follows: commodity loans, 1 1/2%; loans secured by commodity loan documents eligible for purchase or payment by the Commodity Credit Corporation, 1%; operating capital loans, 2 1/2%; and facility loans, 3 1/2%.

Volume of Business.—Total credit extended by the 12 banks for co-operatives as of December 31, 1946 was $353,591,000, and the following loans and advances were outstanding as of that date: Loans to co-operative associations, $160,131,000, consisting of loans secured by Commodity Credit Corporation documents, $2,781,000; commodity loans, $29,366,000; operating capital loans, $93,866,000; and facility loans, $34,118,000. In addition, there were outstanding advances under the Commodity Credit Corporation of $38,345,000, making total credit outstanding of $198,476,000. (All figures rounded.)

The Central Bank for Co-operatives as of December 31, 1946 had total credit extended of $177,788,000, of which $69,515,000 was actually outstanding, as follows: Loans and advances outstanding—Loans to co-operative associations: secured by Commodity Credit Corporation documents, $2,679,000; commodity loans, $22,522,000; operating capital loans, $22,725,000; and facility loans, $4,200,000; total loans to co-operative associations, $52,126,000. Advances under the Commodity Credit Corporation program totaled $17,389,000, making the total $69,515,000 in credit outstanding. (All figures rounded.)

Debentures—In addition to the capital paid in by the United States Government and by co-operative borrowers, the Central Bank for Co-operatives is authorized to obtain funds for lending purposes through the issuance and sale of debentures. The aggregate amount of debentures outstanding may not exceed five times the paid-in capital and surplus of the bank. The interest rates will be fixed by the chairman of the board of directors of the bank. The provisions of law applying to the preparation and issue of Federal intermediate credit bank debentures shall, so far as applicable, govern the preparation and issue of such debentures.

Debenture Collateral Held in Trust—The collateral securing the debentures will be held in trust by a custodian appointed by the Governor of the Farm Credit Administration. The debentures shall be secured by collateral equal at least in value to the amount of the debentures, and shall consist of cash, direct obligations of the United States, or notes or other obligations discounted or purchased or representing loans and discounts made by the bank according to law.

Location and Territory—The location of and district served by each of the 12 regional banks for co-operatives are identical with those of the corresponding Federal land banks.

BAR GOLD

See Gold Bars.

BAR SILVER

See Silver.

BARGAIN COUNTER

A stock market expression to apply to securities

offered for sale at prices below their Intrinsic Value (q. v.), especially during a panic, severe decline, or following a period of prolonged liquidation.

BARGAIN HUNTER

A stock market expression to apply to a speculator or investor who waits till securities are on the Bargain Counter (q. v.), before purchasing; one who defers the purchase of securities until he believes prices are at their extreme low range.

BAROMETER STOCKS

Standard, active stocks which lead the movement in other stocks, and indicate the general trend of the market; stocks the movements of which are followed sympathetically by other stocks. United States Steel common is regarded as a barometer for industrial stocks, and New York Central for railroad stocks. (See Business Barometers, Market Leaders, Speculative Cycle, Steel the Barometer of Trade, Swings.)

BAROMETERS

See Business Barometers, Investment Barometers.

BARRATRY

Damage, embezzlement or fraud committed by a vessel's master or crew against the vessel or its cargo resulting in loss to the owners. It is one of the long list of risks for which an ocean carrier is not liable as indicated in an ocean bill of lading. This risk must, therefore, be covered in the Marine Insurance Certificate (q. v.).

BARREN MONEY

Money which does not earn interest or other income.

BARTER

The direct exchange of commodities without the use of money, and without reference to price, e. g., the exchange of four cows for one horse. Barter is a primitive and inconvenient means of trading. In indirect barter very often a standard commodity, e. g., grains, cattle, tobacco, jewels, was used as a medium of exchange, or third commodity, to serve as a middle term between other commodities.

BASE COINS

Coins made of metals less valuable than gold or silver, e. g., nickel and copper. The term is used in England to denote counterfeit coins. (See Minor Coins.)

BASE PERIOD PRICE

In calculating parity price (q. v.) for a Government supported agricultural commodity, the base period price is the price for that commodity for the period specified in the Agricultural Adjustment Act of 1938 (q. v.). Base period is generally August, 1909 to July, 1914. For burley tobacco and flue-cured tobacco, base period is August, 1934 to July, 1939. For potatoes, other tobacco and other commodities not having the 1909-1914 base period, the base period is August, 1919 to July, 1929. By multiplying base period price by the parity index (q. v.), the parity price is calculated. Base period prices of various commodities for the 1909-1914 base period are as follows:

Barley	61.9¢ per bu.
Butterfat	26.3¢ per lb.
Cotton	12.4¢ per lb.
Cottonseed	$22.55 per ton
Corn	64.2¢ per bu.
Eggs	21.5¢ per doz.
Flaxseed	$ 1.69 per bu.
Hogs	$ 7.27 per 100 lbs.
Milk, wholesale	$ 1.60 per cwt.
Oats	39.9¢ per bu.
Rye	72.0¢ per bu.
Sorghums, grain	$ 1.21 per 100 lbs.
Soybeans	96.0¢ per bu.
Wheat	88.4¢ per bu.
Wool	18.3¢ per lb.

Where the production or consumption of a commodity has so changed since the base period that its actual base period price would result in a parity price out of line with other parity prices, the actual base period price is adjusted and termed a "derived base period price". An example is the derived base period price for soybeans, as above.

BASIC COMMODITIES

The so-called six basic agricultural commodities for which support programs are administered by the Department of Agriculture and the Commodity Credit Corporation (q. v.) are: cotton, corn, wheat, tobacco, rice and peanuts (used as nuts). Under support programs effective through 1948, producers may obtain loans at 90% of parity (for cotton, 92 1/2%). Unless present legislation is extended or amended, the loan rates after December 31, 1948 would be 52% to 75%, as specified in the Agricultural Adjustment Act of 1938 (q. v.). (See Steagall Commodities.)

BASIS

The annual rate of return on the money invested in a stock, or the rate of yield on a bond, if held to maturity; the effective interest rate on a security. (See Return, Yield.)

BASIS GRADE

The term used with reference to the basic contract grades deliverable on futures contracts at par. In cotton, the basis grade is middling 15/16 inch. There may be more than one basis grade, as in wheat, according to the exchange on which it is traded. For example, on the Chicago Board of Trade, four of the basis grades deliverable on 1947 contracts are: No. 1 Northern Spring Wheat, No. 2 Hard Winter Wheat, No. 2 Red Winter Wheat, and No. 2 Yellow Hard Winter Wheat. If other grades are delivered, the buyer must pay more or less, determined by the differential in price between the basis grade and the grade delivered. See Commodity Exchanges, Cotton Futures, Grades, Wheat Futures.

BASIS VALUE

The value of a security considered as an investment, and, in the case of bonds as bearing a series of interest incomes, if held to maturity. Bonds are usually bought on a certain "basis," or "to yield —— per cent." Other things being equal bond values are com-

pared by the effective interest rate, i. e., basis value, or yield. (See Investment Value, Yield.)

BATCH SYSTEM

See Block System.

BEAR

A term used among operators in various markets, and applied to a person who believes that security or commodity prices will decline, and who accordingly sells on that expectation, as distinguished from a Bull (q. v.). Bears are also short sellers, i. e., sell what they do not possess, in anticipation of a decline in price at which they can buy back, i. e., cover, at a profit.

Bears are market pessimists who take the view that market or business conditions are growing worse. One may be a bear on a particular security without being bearish on the entire market. The public usually takes the bull side of the market, while the bear side is largely confined to professional operators. (See Short Sale.)

BEAR ACCOUNT

Same as Short Account (q. v.).

BEAR MARKET

An expression used to describe the stock market when the influence of the bears is predominant, and the trend of prices is downward. It is more particularly applied to a market in which the downward tendency has been prolonged or is expected to be prolonged, with minor upward interruptions, over an extended period, say, a year or more. (See Bear.)

BEAR RAID

A stock market expression to denote vigorous short selling by the bears, taking tactical advantage of the technical position of an overbought market to force prices down, and thus compel those who are long of stocks to sell at a loss, while they, the bears, cover at a profit.

BEARER

"The person in possession of a bill or note which is payable to bearer." (Negotiable Instruments Law.) Holder; the person in possession of money, or a check, bill, note, or other instrument. Title to valuable papers can be transferred by delivery or by indorsement; if transferable by delivery they are called bearer instruments e. g., money, coupon bonds, coupons, bearer checks, bearer notes or bills, bearer bonds, etc.; if transferable by endorsement, they are negotiable only by indorsement, e. g., checks, notes, bills of exchange, etc. The term assignment is usually intended to describe the transfer of a non-negotiable chose in action, such as stock certificates, registered bonds and bills of lading, as well as non-negotiable bills, notes or checks.

BEARER BONDS

Coupon bonds, which are payable to bearer and carry detachable interest coupons.
(See Coupon Bonds.)

BEARER INSTRUMENTS

See Bearer, Pay to Bearer.

BEATING THE GUN

Solicitation of orders for a security before effective date for the offering as filed by amendment to the Registration Statement with the Securities and Exchange Commission. See Registration Statement.

BELGA

See Foreign Moneys—Belgium.

BELOW PAR

A price quoted below the face value of a security. (See Par.)

BENEFICIARY

One in whose favor a trust operates, or in whose behalf a life insurance policy, or other document conferring value, is drawn. The beneficiary under a letter of credit is the party in whose favor it is issued, and who is entitled under its terms to draw a bill of exchange for acceptance by the issuing bank, and for discount by the notifying bank.

BEQUEST

A gift or legacy of personal property left by a decedent in his will; a testamentary gift of personalty, as distinguished from a testamentary gift of realty, which is called a Devise (q. v.).

BID AND ASKED QUOTATIONS

Prices at which securities are wanted and at which they are offered for sale. Bid and asked quotations on the New York Stock Exchange are obtainable through member firms during trading hours from the Quotation Department of the Exchange, which maintains a large staff of quotation pages on the floor of the Exchange providing the central quotation room of the Quotation Department with bid and asked quotations. At the close of each trading session, sheets at each post record the closing bid and asked quotations for each stock traded, along with the high, low and close for the stock as well as total shares traded, which information is furnished for general publication. Closing bid and asked quotations are also furnished for publication on stocks not traded for the particular trading session. (See Quotations.)

BID PRICE

The price offered for a security or commodity by a prospective buyer: the price at which a security or commodity is wanted, and subject to immediate acceptance, unless otherwise stated, for the amount specified.

BIDS AND OFFERS

Stock exchange rules define the various kinds of bids and offers which may be made. On the New York Stock Exchange all bids and offers are for 100 shares of stock, or for $1,000 par value of bonds, unless otherwise stated. With reference to payment and delivery bids and offers may be made in four ways, described under Methods of Trading (q. v.). Bids and offers for

larger lots than 100 shares for stocks, or $1,000 for bonds, at a certain price, are good for any part thereof in full lots of multiples thereof, until the order is filled. The first bid or offer, when there are several at the same price, and when it can be distinguished, takes precedence over the others. Bids and offers may not be made in variations of less than one-eighth point.

BIG BOARD

The term colloquially applied to the New York Stock Exchange (q. v.).

BILL

This term has six meanings:
(1) Bill of Exchange (q. v.).
(2) A statement of account or of money due.
(3) Same as Note (q. v.).
(4) Bill of Lading (q. v.).
(5) Bill of Sale (q. v.).
(6) A way bill, or written list and description of goods which a railroad accepts for transporting goods.

BILL BOOK

Another name for Liability Ledger (q. v.).

BILL BROKER

A term used in England to designate a merchant or firm that negotiates and discounts commercial paper, or buys and sells it in the open market for a profit. The English bill broker corresponds to the American note broker. (See Note Brokers.)

BILL FOR PAYMENT

A draft or bill of exchange drawn and presented for payment, as distinguished from a bill for acceptance. (See Article VI, Uniform Negotiable Instruments Law, Article VII, New York Negotiable Instruments Law: Presentment for Payment.)

BILL OF CREDIT

This term has two meanings:
(1) A written advice requesting the party to whom it is addressed to extend credit to the bearer on the voucher or security of the signer.
(2) "Paper issued by the sovereign authority and intending to circulate as money" (John Marshall). The United States Constitution empowers Congress to borrow money and to emit "bills of credit." The use of this term to denote Government paper money is practically obsolete.

BILL OF EXCHANGE

"An unconditional order in writing addressed by one person to another, signed by the person giving it, requiring the person to whom it is addressed to pay on demand or at a fixed or determinable future time a sum certain in money to order or to bearer." (Sec. 210, Negotiable Instruments Law; Sec. 126, Uniform Negotiable Instruments Law.)

The terms bill of exchange and draft are used interchangeably, but the former is usually applied to an order to pay money arising out of a foreign transaction while the latter term is more often reserved for domestic transactions. Technically, too, a bill of exchange is always a negotiable instrument, while a draft may be non-negotiable. (See Draft, Foreign Bills of Exchange, Negotiable Instruments Law, Art. X-XVI.)

BILL OF LADING

A receipt issued by a carrier (land or water transportation company, express company or forwarding agent), as bailee, certifying that it has received the therein described goods from the within-named consignor for transportation to a certain destination, to a specified consignee or to the order of any person. Bills of lading are an important form of collateral available as security for loans from commercial banks and foreign banking corporations, and when they arise out of interstate commerce or commerce between any state and a foreign country are subject to the Federal Bill of Lading Act, passed August 29, 1916, and effective since January 1, 1917.

A bill of lading performs three functions and has as many legal characteristics: it is a receipt for designated goods; a contract to transport from the point of origin to the destination, the intermediate ways (especially in ocean bills of lading) usually being specified; and a document (or muniment) of title.

As a receipt a bill of lading should describe the goods so that they can be readily identified. It should be free from any disclaimer concerning the unsatisfactory condition of the wrapping of boxes or other containers, and from clauses limiting the carrier's responsibility, e. g., "said to contain," "shipper's load and count," etc. In other words, the bill of lading should be clean.

As a contract to transport, a bill of lading should be signed by a responsible, regularly established carrier, or agent, and the points of origin and destination should be set forth.

As a document of title, the various rights under a bill of lading depend upon its class. The Federal Bill of Lading Act distinguishes sharply between a "straight" and "order" bill of lading. The first states that the goods are consigned or destined to a specified consignee, and is intended primarily for domestic shipments; while the latter consigns the good to the order of any person, and is intended for both domestic and foreign shipments. A straight bill of lading must be marked "non-negotiable," and duplicates must be so characterized. Title to the goods rests with the consignee, and while he may transfer his title by indorsement and delivery, he can transfer no better title than he himself holds, and a bank which lends on a straight bill of lading to a wrongful person, has no protection. An order bill of lading, however, may be negotiated, and when properly indorsed, any holder in good faith has title to the goods without question as to how possession has been acquired, and is therefore, good bank collateral.

The elements of a bill of lading which should be scrutinized before accepting it as collateral are: (1) date, which should be sufficiently recent to indicate that the shipment has not already been delivered, i. e., the bill should not be stale. A back date arouses the suspicion of possible fraud; (2) name of issuing carrier, which should be a responsible railroad, or steamship, express or forwarding company; (3) points of origin and destination; (4) names of consignor and consignee (in an order bill of lading the names of these parties may be the same, and in this case the consignor must make an indorsement in blank or special indorsement, in order to convey title to the holder); (5) description of merchandise, which should be clear, and conform in the case of ocean bills of lading to the relative documents, e. g., seller's invoice, certificate of origin, consular invoice, certificate of weight and inspection, etc.; (6)

issuance in sets, which, if designated, should be complete, whether two, three or four, as the case may be; (7) carrier's liability, which should be defined so as to clearly set forth the limitations on such liability.

Bibliography

E. W. Hotchkiss: Manual on the Laws of Bills of Lading, 1928.

BILL OF LADING ACT

The text of the Federal Bill of Lading Act, approved August 29, 1916, and effective since January 1, 1917, follows:

AN ACT RELATING TO BILLS OF LADING IN INTERSTATE AND FOREIGN COMMERCE

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That bills of lading issued by any common carrier for the transportation of goods in any Territory of the United States, or the District of Columbia, or from a place in a State to a place in a foreign country, or from a place in one State to a place in another State, or from a place in one State to a place in the same State through another State or foreign country, shall be governed by this Act.

Sec. 2. That a bill in which it is stated that the goods are consigned or destined to a specified person is a straight bill.

Sec. 3. That a bill in which it is stated that the goods are consigned or destined to the order of any person named in such bill is an order bill. Any provision in such a bill or in any notice, contract, rule, regulation, or tariff that it is nonnegotiable shall be null and void and shall not affect its negotiability within the meaning of this Act unless upon its face and in writing agreed to by the shipper.

Sec. 4. That order bills issued in a State for the transportation of goods to any place in the United States on the Continent of North America, except Alaska and Panama, shall not be issued in parts or sets. If so issued, the carrier issuing them shall be liable for failure to deliver the goods described therein to anyone who purchases a part for value in good faith, even though the purchase be after the delivery of the goods by the carrier to a holder of one of the other parts: Provided, however, That nothing contained in this section shall be interpreted or construed to forbid the issuing of order bills in parts or sets for such transportation of goods to Alaska, Panama, Porto Rico, the Philippines, Hawaii, or foreign countries, or to impose the liabilities set forth in this section for so doing.

Sec. 5. That when more than one order bill is issued in a State for the same goods to be transported to any place in the United States on the Continent of North America, except Alaska and Panama, the word "duplicate," or some other word or words indicating that the document is not an original bill, shall be placed plainly upon the face of every such bill except the one first issued. A carrier shall be liable for the damage caused by his failure so to do to anyone who has purchased the bill for value in good faith as an original, even though the purchase be after the delivery of the goods by the carrier to the holder of the original bill: Provided, however, That nothing contained in this section shall in such case for such transportation of goods to Alaska, Panama, Porto Rico, the Philippines, Hawaii, or foreign countries be interpreted or construed so as to require the placing of the word "duplicate" thereon, or to impose the liabilities set forth in this section for failure so to do.

Sec. 6. That a straight bill shall have placed plainly upon its face by the carrier issuing it "non-negotiable" or "not negotiable."

This section shall not apply, however, to memoranda or acknowledgments of an informal character.

Sec. 7. That the insertion in an order bill of the name of a person to be notified of the arrival of the goods shall not limit the negotiability of the bill or constitute notice to a purchaser thereof of any rights or equities of such person in the goods.

Sec. 8. That a carrier, in the absence of some lawful excuse, is bound to deliver goods upon a demand made either by the consignee named in the bill for the goods or, if the bill is an order bill, by the holder thereof, if such a demand is accompanied by—

(a) An offer in good faith to satisfy the carrier's lawful lien upon the goods:

(b) Possession of the bill of lading and an offer in good faith to surrender, properly indorsed, the bill which was issued for the goods, if the bill is an order bill; and

(c) A readiness and willingness to sign, when the goods are delivered, an acknowledgment that they have been delivered, if such signature is requested by the carrier.

In case the carrier refuses or fails to deliver the goods, in compliance with a demand by the consignee or holder so accompanied, the burden shall be upon the carrier to establish the existence of a lawful excuse for such refusal or failure.

Sec. 9. That a carrier is justified, subject to the provisions of the three following sections, in delivering goods to one who is—

(a) A person lawfully entitled to the possession of the goods, or

(b) The consignee named in a straight bill for the goods, or

(c) A person in possession of an order bill for the goods, by the terms of which the goods are deliverable to his order; or which has been indorsed to him, or in blank by the consignee, or by the mediate or immediate indorsee of the consignee.

Sec. 10. That where a carrier delivers goods to one who is not lawfully entitled to the possession of them, the carrier shall be liable to anyone having a right of property or possession in the goods if he delivered the goods otherwise than as authorized by subdivisions (b) and (c) of the preceding section; and, though he delivered the goods as authorized by either of said subdivisions, he shall be so liable if prior to such delivery he—

(a) Had been requested, by or on behalf of a person having a right of property or possession in the goods, not to make such delivery, or

(b) Had information at the time of the delivery that it was to a person not lawfully entitled to the possession of the goods.

Such request or information, to be effective within the meaning of this section, must be given to an officer or agent of the carrier, the actual or apparent scope of whose duties includes action upon such a request or information, and must be given in time to enable the officer or agent to whom it is given, acting with reasonable diligence, to stop delivery of the goods.

Sec. 11. That except as provided in section twenty-

six, and except when compelled by legal process, if a carrier delivers goods for which an order bill had been issued, the negotiation of which would transfer the right to the possession of the goods, and fails to take up and cancel the bill, such carrier shall be liable for failure to deliver the goods to anyone who for value and in good faith purchases such bill, whether such purchaser acquired title to the bill before or after the delivery of the goods by the carrier and notwithstanding delivery was made to the person entitled thereto.

Sec. 12. That except as provided in section twenty-six, and except when compelled by legal process, if a carrier delivers part of the goods for which an order bill had been issued and fails either—

(a) To take up and cancel the bill, or

(b) To place plainly upon it a statement that a portion of the goods has been delivered with a description which may be in general terms either of the goods or packages that have been so delivered or of the goods or packages which still remain in the carrier's possession, he shall be liable for failure to deliver all the goods specified in the bill to anyone who for value and in good faith purchases it, whether such purchaser acquired title to it before or after the delivery of any portion of the goods by the carrier, and notwithstanding such delivery was made to the person entitled thereto.

Sec. 13. That any alteration, addition, or erasure in a bill after its issue without authority from the carrier issuing the same, either in writing or noted on the bill, shall be void, whatever be the nature and purpose of the change, and the bill shall be enforceable according to its original tenor.

Sec. 14. That where an order bill has been lost, stolen or destroyed, a court of competent jurisdiction may order the delivery of the goods upon satisfactory proof of such loss, theft, or destruction and upon the giving of a bond, with sufficient surety, to be approved by the court, to protect the carrier or any person injured by such delivery from any liability or loss incurred by reason of the original bill remaining outstanding. The court may also in its discretion order the payment of the carrier's reasonable costs and counsel fees: Provided, a voluntary indemnifying bond without order of court shall be binding on the parties thereto.

The delivery of the goods under an order of the court, as provided in this section, shall not relieve the carrier from liability to a person to whom the order bill has been or shall be negotiated for value without notice of the proceedings or of the delivery of the goods.

Sec. 15. That a bill, upon the face of which the word "duplicate" or some other word or words indicating that the document is not an original bill is placed, plainly shall impose upon the carrier issuing the same the liability of one who represents and warrants that such bill is an accurate copy of an original bill properly issued, but no other liability.

Sec. 16. That no title to goods or right to their possession asserted by a carrier for his own benefit shall excuse him from liability for refusing to deliver the goods according to the terms of a bill issued for them, unless such title or right is derived directly or indirectly from a transfer made by the consignor or consignee after the shipment, or from the carrier's lien.

Sec. 17. That if more than one person claim the title or possession of goods, the carrier may require all known claimants to interplead, either as a defense to an action brought against him for non-delivery of the goods or as an original suit, whichever is appropriate.

Sec. 18. That if some one other than the consignee or the person in possession of the bill has a claim to the title or possession of the goods, and the carrier has information of such claim, the carrier shall be excused from liability for refusing to deliver the goods, either to the consignee or person in possession of the bill or to the adverse claimant, until the carrier has had a reasonable time to ascertain the validity of the adverse claim or to bring legal proceedings to compel all claimants to interplead.

Sec. 19. That except as provided in the two preceding sections and in section nine, no right or title of a third person, unless enforced by legal process, shall be a defense to an action brought by the consignee of a straight bill or by the holder of an order bill against the carrier for failure to deliver the goods on demand.

Sec. 20. That when goods are loaded by a carrier such carrier shall count the packages of goods, if package freight, and ascertain the kind and quantity if bulk freight, and such carrier shall not, in such cases, insert in the bill of lading or in any notice, receipt, contract, rule, regulation, or tariff, "Shipper's weight, load, and count," or other words of like purport, indicating that the goods were loaded by the shipper and the description of them made by him or in case of bulk freight and freight not concealed by packages the description made by him. If so inserted, contrary to the provisions of this section, said words shall be treated as null and void and as if not inserted therein.

Sec. 21. That when package freight or bulk freight is loaded by a shipper and the goods are described in a bill of lading merely by a statement of marks or labels upon them or upon packages containing them, or by a statement that the goods are said to be goods of a certain kind or quantity, or in a certain condition, or it is stated in the bill of lading that packages are said to contain goods of a certain kind or quantity or in a certain condition, or that the contents or condition of the contents of the packages are unknown, or words of like purport are contained in the bill of lading, such statements, if true, shall not make liable the carrier issuing the bill of lading, although the goods are not of the kind or quantity or in the condition which the marks or labels upon them indicate, or of the kind or quantity or in the condition they were said to be by the consignor. The carrier may also by inserting in the bill of lading the words "Shipper's weight, load, and count," or other words of like purport indicate that the goods were loaded by the shipper and the description of them made by him; and if such statement be true, the carrier shall not be liable for damages caused by the improper loading or by the non-receipt or by the misdescription of the goods described in the bill of lading; Provided, however, Where the shipper of bulk freight installs and maintains adequate facilities for weighing such freight, and the same are available to the carrier, then the carrier, upon written request of such shipper and when given a reasonable opportunity so to do, shall ascertain the kind and quantity of bulk freight within a reasonable time after such written request, and the carriers shall not in such cases insert in the bill of lading the words "Shipper's weight," or other words of like purport, and if so inserted contrary to the provisions of this section, said words shall be treated as null and void and as if not inserted therein.

Sec. 22. That if a bill of lading has been issued by a

carrier or on his behalf by an agent or employee the scope of whose actual or apparent authority includes the receiving of goods and issuing bills of lading therefor for transportation in commerce among the several States and with foreign nations, the carrier shall be liable to (a) the owner of goods covered by a straight bill subject to existing right of stoppage in transitu or (b) the holder of an order bill, who has given value in good faith, relying upon the description therein of the goods for damages caused by the nonreceipt by the carrier of all or part of the goods or their failure to correspond with the description thereof in the bill at the time of its issue.

Sec. 23. That if goods are delivered to a carrier by the owner or by a person whose act in conveying the title to them to a purchaser for value in good faith would bind the owner, and an order bill is issued for them, they can not thereafter, while in the possession of the carrier, be attached by garnishment or otherwise or be levied upon under an execution unless the bill be first surrendered to the carrier or its negotiation enjoined. The carrier shall in no such case be compelled to deliver the actual possession of the goods until the bill is surrendered to him or impounded by the court.

Sec. 24. That a creditor whose debtor is the owner of an order bill shall be entitled to such aid from courts of appropriate jurisdiction by injunction and otherwise in attaching such bill or in satisfying the claim by means thereof as is allowed at law or in equity in regard to property which can not readily be attached or levied upon by ordinary legal process.

Sec. 25. That if an order bill is issued the carrier shall have a lien on the goods therein mentioned for all charges on those goods for freight, storage, demurrage and terminal charges, and expenses necessary for the preservation of the goods or incident to their transporation subsequent to the date of the bill and all other charges incurred in transportation and delivery, unless the bill expressly enumerates other charges for which a lien is claimed. In such case there shall also be a lien for the charges enumerated so far as they are allowed by law and the contract between the consignor and the carrier.

Sec. 26. That after goods have been lawfully sold to satisfy a carrier's lien, or because they have not been claimed, or because they are perishable or hazardous, the carrier shall not thereafter be liable for failure to deliver the goods themselves to the consignee or owner of the goods, or to a holder of the bill given for the goods when they were shipped, even if such bill be an order bill.

Sec. 27. That an order bill may be negotiated by delivery where, by the terms of the bill, the carrier undertakes to deliver the goods to the order of a specified person, and such person or a subsequent indorsee of the bill has indorsed it in blank.

Sec. 28. That an order bill may be negotiated by the indorsement of the person to whose order the goods are deliverable by the tenor of the bill. Such indorsement may be in blank or to a specified person. If indorsed to a specified person, it may be negotiated again by the indorsement of such person in blank or to another specified person. Subsequent negotiation may be made in like manner.

Sec. 29. That a bill may be transferred by the holder by delivery, accompanied with an agreement, express or implied, to transfer the title to the bill or to the goods represented thereby. A straight bill can not be negotiated free from existing equities, and the indorsement of such a bill gives the transferee no additional right.

Sec. 30. That an order bill may be negotiated by any person in possession of the same, however such possession may have been acquired, if by the terms of the bill the carrier undertakes to deliver the goods to the order of such person, or if at the time of negotiation the bill is in such form that it may be negotiated by delivery.

Sec. 31. That a person to whom an order bill has been duly negotiated acquires thereby—

(a) Such title to the goods as the person negotiating the bill to him had or had ability to convey to a purchaser in good faith for value, and such title to the goods as the consignee and consignor had or had power to convey to a purchaser in good faith for value; and

(b) The direct obligation of the carrier to hold possession of the goods for him according to the terms of the bill as fully as if the carrier had contracted directly with him.

Sec. 32. That a person to whom a bill has been transferred, but not negotiated, acquires thereby as against the transferor the title to the goods, subject to the terms of any agreement with transferor. If the bill is a straight bill such person also acquires the right to notify the carrier of the transfer to him of such bill and thereby to become the direct obligee of whatever obligations the carrier owed to the transferor of the bill immediately before the notification.

Prior to the notification of the carrier by the transferor or transferee of a straight bill the title of the transferee to the goods and the right to acquire the obligation of the carrier may be defeated by garnishment or by attachment or execution upon the goods by the creditor of the transferor, or by notification to the carrier by the transferor or by a subsequent purchaser from the transferor of a subsequent sale of the goods by the transferor.

A carrier has not received notification within the meaning of this section unless an officer or agent of the carrier, the actual or apparent scope of whose duties includes action upon such notification, has been notified; and no notification shall be effective until the officer or agent to whom it is given has had time, with the exercise of reasonable diligence, to communicate with the agent or agents having actual possession or control of the goods.

Sec. 33. That where an order bill is transferred for value by delivery, and the indorsement of the transferor is essential for negotiation, the transferee acquires a right against the transferor to compel him to indorse the bill, unless a contrary intention appears. The negotiation shall take effect as of the time when the indorsement is actually made. This obligation may be specifically enforced.

Sec. 34. That a person who negotiates or transfers for value a bill by indorsement or delivery, unless a contrary intention appears, warrants—

(a) That the bill is genuine;

(b) That he has a legal right to transfer it;

(c) That he has knowledge of no fact which would impair the validity or worth of the bill;

(d) That he has a right to transfer the title to the goods, and that the goods are merchantable or fit for a particular purpose whenever such warranties would have been implied if the contract of the parties had been to transfer without a bill the goods represented thereby.

Sec. 35. That the indorsement of a bill shall not make the indorser liable for any failure on the part of the carrier or previous indorsers of the bill to fulfill their respective obligations.

Sec. 36. That a mortgagee or pledgee or other holder of a bill for security who in good faith demands or receives payment of the debt for which such bill is security, whether from a party to a draft drawn for such debt or from any other person, shall not be deemed by so doing to represent or warrant the genuineness of such bill or the quantity or quality of the goods therein described.

Sec. 37. That the validity of the negotiation of a bill is not impaired by the fact that such negotiation was a breach of duty on the part of the person making the negotiation, or by the fact that the owner of the bill was deprived of the possession of the same by fraud, accident, mistake, duress, loss, theft, or conversion, if the person to whom the bill was negotiated, or a person to whom the bill was subsequently negotiated, gave value therefor in good faith, without notice of the breach of duty, or fraud, accident, mistake, duress, loss, theft, or conversion.

Sec. 38. That where a person, having sold, mortgaged, or pledged goods which are in a carrier's possession and for which an order bill has been issued, or having sold, mortgaged, or pledged the order bill representing such goods, continues in possession of the order bill, the subsequent negotiation thereof by that person under any sale, pledge, or other disposition thereof to any person receiving the same in good faith, for value and without notice of the previous sale, shall have the same effect as if the first purchaser of the goods or bill had expressly authorized the subsequent negotiation.

Sec 39. That where an order bill has been issued for goods no seller's lien or right of stoppage in transitu shall defeat the rights of any purchaser for value in good faith to whom such bill has been negotiated, whether such negotiation be prior or subsequent to the notification to the carrier who issued such bill of the seller's claim to a lien or right of stoppage in transitu. Nor shall the carrier be obliged to deliver or justified in delivering the goods to an unpaid seller unless such bill is first surrendered for cancellation.

Sec. 40. That, except as provided, in section thirty-nine, nothing in this Act shall limit the rights and remedies of a mortgagee or lien holder whose mortgage or lien on goods would be valid, apart from this Act, as against one who for value and in good faith purchased from the owner, immediately prior to the time of their delivery to the carrier, the goods which are subject to the mortgage or lien and obtained possession of them.

Sec. 41. That even any person who, knowlingly or with intent to defraud, falsely makes, alters, forges, counterfeits, prints or photographs any bill of lading purporting to represent goods received for shipment among the several State or with foreign nations, or with like intent utters or publishes as true and genuine any such falsely altered, forged, counterfeited, falsely printed or photographed bill of lading, knowing it to be falsely altered, forged counterfeited, falsely printed or photographed, or aids in making, altering, forging, counterfeiting, printing or photographing, or uttering or publishing the same, or issues or aids in issuing or procuring the issue of, or negotiates or transfers for value a bill which contains a false statement as to the receipt of the goods, or as to any other matter, or who, with intent to defraud, violates, or fails to comply with, or aids in any violation of, or failure to comply with any provision of this Act, shall be guilty of a misdemeanor, and, upon conviction, shall be punished for each offense by imprisonment not exceeding five years, or by a fine not exceeding $5,000, or both.

Sec. 42. First, That in this Act, unless the context of subject matter otherwise requires—

"Action" includes counterclaim, set-off, and suit in equity.

"Bill" means bill of lading governed by this Act.

"Consignee" means the person named in the bill as the person to whom delivery of the goods is to be made.

"Consignor" means the person named in the bill as the person from whom the goods have been received for shipment.

"Goods" means merchandise or chattels in course of transportation or which have been or are about to be transported.

"Holder" of a bill means a person who has both actual possession such bill and a right of property therein.

"Order" means an order by indorsement on the bill.

"Person" includes a corporation or partnership or two or more persons having a joint or common interest.

To "purchase" includes to take as mortgagee and to take as pledgee.

"State" includes any Territory, District, insular possession, or isthmian possession.

Sec. 43. That the provisions of this Act do not apply to bills made and delivered prior to the taking effect thereof.

Sec. 44. That the provisions and each part thereof and the sections and each part thereof of this Act are independent and severable, and the declaring of any provision or part thereof, or provisions or part thereof, or section or part thereof, or sections or part thereof, unconstitutional shall not impair or render unconstitutional any other provision or part thereof or section or part thereof.

Sec. 45. That this Act shall take effect and be in force on and after the first day of January next after its passage.

BILL OF SALE

A document which conveys title to, or right or interest in, personal property from the seller to the buyer.

BILLS DISCOUNTED

The aggregate of notes, acceptance and bills of exchange which a bank has discounted for its customers, as distinguished from loans; the title of an account in the general ledger which controls the Bills Discounted Ledger (q. v.), to indicate the total bills discounted.

BILLS DISCOUNTED LEDGER

A subsidiary ledger in which the details of all notes, acceptances and bills of exchange discounted are classified by customers so that the amount and nature of the liability of each borrower on this class of paper can be readily ascertained. It is also known as the Liability Ledger (q. v.).

BILLS DISCOUNTED OVERDUE

The aggregate of notes, acceptances and bills of exchange, which were not paid at maturity, and held separately awaiting collection, legal action, or writing off as a loss. Paper which is not paid at maturity is deducted

from the bills discounted account and added to bills discounted overdue, since the former contains only unmatured items. This term is also the title of a controlling account in the general ledger. (See Bad Debts.)

BILLS DISCOUNTED REGISTER

A journal or register in which notes, acceptances, and bills of exchange discounted are entered numerically and chronologically. It contains the first complete record of each note, etc., discounted, and is a permanent record. After notes are recorded in this register they are posted in the Liability Ledger (q. v.).

BILLS FOR COLLECTION

See Foreign Collection Items.

BILLS IN A SET

Bills of exchange, and accompanying documents, e. g., bill of lading, are usually issued in duplicate, and sometimes in triplicate. (For further information, see Bill of Lading, and First of Exchange.)

BILLS PAYABLE

Notes or acceptances upon which a business is the principal debtor as shown by its books; aggregate sum due to trade creditors as evidenced by notes or acceptances held by them; a controlling account in the general ledger to indicate the total of notes and acceptances which the business is bound to pay at their maturity.

The term also applies to the sum which a member bank has borrowed from the Federal Reserve bank of its district or on its own collateral note. Member banks may obtain advances from a Federal Reserve Bank on their promissory notes for periods not exceeding 15 days, secured by the deposit or pledge of U. S. Government securities; and on their promissory notes for periods not exceeding 90 days, secured by eligible paper (notes, drafts, bills of exchange or bankers' acceptances) all such advances to be made at rates established by the Federal Reserve Banks, subject to review by the Board of Governors of the Federal Reserve System.

If any member bank to which such advances have been made shall, during the continuance of such advances and despite official warning from the Federal Reserve Bank or of the Board of Governors, increase its outstanding "security loans" (loans secured by collateral in the form of stocks, bonds and other securities, other than Government securities), such advances shall immediately become due and payable, and such member bank shall be ineligible to be a borrower at the Federal Reserve Bank for such period as the Board of Governors of the Federal Reserve System shall determine. Temporary carrying or clearance loans made solely for the purpose facilitating the purchase or delivery of securities offered for public subscription shall be excluded from consideration as such security loans. (Sec. 13, par. 8, Federal Reserve Act.) (See Repurchase Agreement.)

BILLS RECEIVABLE

Notes and acceptances given by customers, usually in payment of merchandise as shown by the books of a business; aggregate sum due from trade debtors evidenced by notes and acceptances upon which they are the principal debtors; a controlling account in the general ledger to indicate the total of notes and acceptances on hand, and which the principal debtors thereon are bound to pay at maturity.

BIMETALLISM

The free concurrent coinage of two metals, usually gold and silver, without limitation as to quantity at an established coinage or mint ratio into coins of full legal tender power. A distinction is sometimes drawn between bimetallism and the double standard. Bimetallism differs from the double standard in that in bimetallism the Government mints are open to free coinage of either metal without limit. Under the double standard while coins of both metals are endowed with full legal tender powers, only one is freely coined, the other being coined on Government account only.

BLACK FRIDAY

September 24, 1869. At this period the balance of trade was heavily against the United States. Since gold was rapidly flowing out of the country, and the United States Treasury had discontinued the sale of gold, Jay Gould, then President of the Erie Railroad and bold speculator, attempted to get a corner on the merchantable stock of gold, and to compel those who had sold it short, to cover at dictated prices. He organized a pool and the joint-venture plan was put into operation. The price was forced from 133 to 162 in about 20 days, the highest price being attained on Black Friday. Thereafter the price quickly receded to normal.

BLAND-ALLISON ACT

An act passed February 28, 1878, which required the Treasury Department to purchase at the market price not less than $2,000,000 nor more than $4,000,000 of silver bullion a month for immediate coinage into standard silver dollars of 412 1/2 grains at the mint ratio of 15.988 to 1. The act was a compromise measure between those in favor of the remonetization of silver and its opponents. As first introduced it provided for the Free Coinage (q. v.) of silver, but was later amended to read as stated above. About $25,000,000 in silver dollars were coined annually for the ensuing twelve years, thus adding huge quantities of overvalued silver dollars to the currency. The act provided for the deposit of silver dollars in the United States Treasury and the issue of a corresponding amount of silver certificates redeemable in the silver dollars deposited as security. The Bland-Allison Act was repealed in 1890, and superseded by the Sherman Silver Purchase Act (q. v.).

BLANK INDORSEMENT

An indorsement in blank specifies no indorsee and an instrument so indorsed is payable to bearer, and may be negotiated by delivery. (Sec. 34 Uniform Negotiable Instruments Law; Sec. 64, N. Y. Negotiable Instruments Law.) The signature of the indorser, without additional words, is a sufficient indorsement. (Sec. 31, Uniform Negotiable Instruments Law; Sec. 61, N. Y. Negotiable Instruments Law.) See Indorsement.

BLANK TRANSFER

An assignment or transfer of stock in blank. (See Assignment, Assignment in Blank.)

BLANKET MORTGAGE

A mortgage which covers all the property or group

of properties of a corporation and given to secure a single debt. A blanket mortgage has about the same significance as a closed mortgage (q. v.). A large number of the mortgages of railroad and public utility corporations contain a clause in the deed of trust known as the "after-acquired-property" clause, which stipulates that not only the present owned property but that any future acquired property becomes subject to the mortgage. Bonds secured by a blanket mortgage of this type constitute a lien against all present and future acquired property of a corporation, which has no power to issue additional bonds against the property of equal rank as a lien with those already outstanding.

BLOCK

This term has two meanings:

(1) A large amount of stocks or bonds sold or offered for sale; a multiple of a full lot of stock, e. g., 1,000 shares, 6,000 shares, or of bonds, e. g., $200,000 par value.

(2) A lot, batch, or bundle of checks deposited for credit with a bank together with their relative deposit slips for sorting into (1) self-checks, (2) clearing house checks, (3) non-clearing house or messenger checks, and (4) transit checks, and for proving with the relative deposit slips. (See Block System.)

BLOCK SYSTEM

A system also known as the "batch" system, used in the receiving teller's, mail teller's and clearing house (check) departments of a bank for sorting and proving checks against their relative deposit slips, etc. It is a system of preliminary accounting employed in most banks of any importance to save time in proving customers' deposits before the deposit slips are posted to the individual (customers') ledger or ledgers.

When deposits are received over the receiving teller's window the receiving teller usually verifies only the cash. The checks are scrutinized only when the number is small, and to note the regularity of indorsements, etc. The verification of the footing of the deposit slip with the checks is performed after the entry is made in the depositor's pass book by a special group of clerks, very often organized into a "block department".

A "block consists of a group of checks, usually numbering from 100 to 400, together with their relative deposit slips. To prove a block, the checks are first sorted into the divisions required by the conditions in each particular bank, e. g., self-checks, clearing house checks, messenger or non-clearing house checks, checks drawn on the U. S. Treasury, postal money orders, matured coupons, etc. After this sortation process is finished, an adding machine total of the checks is secured by divisions. Another adding machine total of the deposit slip footings is secured, which if the "block" proves, must equal the total of the checks.

A "block" is a relatively small unit of work complete in itself. Blocks can be proved as deposits come in instead of waiting until the receiving teller's window closes for the day. If errors occur, each block being an independent or closed unit of work, they can be discovered comparatively easily, since they are confined to a part of the work instead of all of it. It is necessary to re-examine and prove only the block in which the error exists, instead of re-examining the entire amount of deposits.

A typical form of block proof is illustrated below.

BLOCKED CURRENCY

A currency designated for a special use, as distinguished from a free universal use. A blocked currency arises from the decision of a Government to withhold payments from various classes of foreign creditors, and is used as a means of controlling its exchange and trade movements. In the years 1933-35, Germany represented a prominent example of the use of blocked exchange. In addition to free marks, a number of special types of "blocked" marks were established to be used only for such purposes as the German financial authorities might designate. Because the blocked marks were restricted, they were cheaper than free marks, and this rule is applicable to any blocked currency or exchange. The extent to which a blocked currency is discounted from the free exchange depends upon the degree to which its use is restricted.

BLOTTER

A term commonly given among bank and brokerage bookkeepers to an original entry record of transactions, e. g., securities sales blotter, securities withdrawals blotter. A journal or temporary record of transactions which are later posted to a ledger.

BLOCK PROOF

In proving deposit tickets, clerks must number the deposit tickets, and sign this proof.

No. Date

Proved by

Deposit Tickets									
No.	.....	.....	.....	.....	Self-Checks	.....	.....	.....	.....
No.	.....	.....	.....	.....	Clearing House	.....	.....	.....	.....
No.	.....	.....	.....	.....	Messenger	.....	.....	.....	.....
No.	.....	.....	.....	.....	Transit	.....	.....	.....	.....
No.	.....	.....	.....	.....	Treasury	.....	.....	.....	.....
No.	.....	.....	.....	.....	Coupons	.....	.....	.....	.....
No.	.....	.....	.....	.....	Cash	.....	.....	.....	.....
No.	.....	.....	.....	.....		.....	.....	.....	.....
TOTAL					TOTAL				

BLUE CHIP

A stock market term, taken from poker game terminology, used in a reference to stock issues commanding high prices (particularly in relation to earning power) relative to other stock issues. A stock to which a high degree of popular esteem or preference is attached so that it is relatively high-priced. In the game of poker, where white, red and blue chips are used, the blue chips represent the highest value. So a blue-chip stock is an active, leading well-known stock with wide appeal, but for which a price premium is exacted by the market because of these qualities. The term was especially applied in the 1928-1929 boom, to such issues as Allied Chemical, American Can, du Pont, General Electric, Woolworth, etc.

BLUE-SKY LAWS

A popular name to designate the laws enacted by various states to provide for (1) the issuance of securities, (2) the flotation or sale of a particular issue or block of securities, and (3) the regulation of the business of dealing in securities. The main purpose of blue-sky laws is to prevent fraud in the sale and disposition of stocks, bonds, and other securities, and to protect the investing public, especially the inexperienced, from doubtful, fraudulent and worthless security promotions. These laws are an outgrowth of the recognition of the fact that the principle of "caveat emptor" leaves the improvident and credulous public at the mercy of unscrupulous promoters, tipsters and stock salesman who purvey doubtful or worthless securities.

Kansas in 1911 was the first state to enact a blue-sky law, and this was amended in 1913. It was followed by similar acts in other states, twenty-two of which were passed in various states in 1912-1913. Today nearly all States have blue-sky laws, most of them of the "preventive" type, as contrasted with the punitive type, such as the Martin Act in New York State.

The typical blue-sky law prohibits the issuance or sale of securities, except under conditions with certain exceptions and exemptions for certain classes of securities, e. g., government, state and municipal bonds, and also for certain types of transactions and persons. The security dealer must obtain an annual license which is granted after the dealer has answered an exhaustive questionnaire. Securities affected by the act may not be offered or sold without a permit from the state based upon the findings of some state official, e.g., superintendent of banks, or secretary of state, who must be satisfied that the proposed offering of securities will not "constitute a fraud" or "work a fraud" upon the purchaser, and that the "proposed plan of business and proposed contracts contain and provide for a fair, just and equitable plan for the transaction of business, and in his (the official's judgment), promises a fair return on the stocks, bonds and other securities offered for sale by it."

Effective functioning of blue-sky laws was seriously impaired by unfavorable Court decisions in the interpretation of the acts, and by their own lack of severity in provisions or administration. Accordingly, the Federal Securities Act of 1933 (q. v.) for the first time provided for effective national regulation of security issuance and sale. The Securities Act of 1933 does not eliminate but rather supplements the working of the State blue-sky laws, which continue to operate within their particular jurisdictions.

New York state passed a new blue-sky law, effective June 1, 1925. This law, also known as the Martin law, is Article 23-A (Sections 352-359h) of General Business Law, added by Chapter 649, Laws of 1921 and amended in 1923, 1925, 1926, 1928 and 1935. This law is administered by the Attorney-General, who upon complaint or otherwise, may require a securities dealer to file a statement as to all the facts and circumstances surrounding any attempt to defraud the public by misrepresentation, fictitious or pretended sales of securities, make an investigation and subpoena and examine witnesses and documents, institute an action to enjoin such fraudulent practices and to appoint a receiver for the properties, and to examine all persons against whom action has been taken.

Dealers in securities are required to file certain notices in the Department of State, one known as the "state notice" and a second notice concerning the securities offered for sale, for publication in the state bulletin. No dealer may sell or offer for sale to the public within New York state as principal, broker or agent any securities until the dealer has a notice containing his name and business or post office address. This notice must be filed by all dealers. In addition to this notice, a further notice must be filed respecting the securities offered for sale unless they fall within the exempted class. This additional notice contains all the information given in the first notice, and also the name of the security which is to be sold or offered for sale, the name and post office address of the organization which has issued or is to issue the security, and if it is a corporation the state or country of incorporation.

The following securities are exempt from the provision relating to the publication of the additional notice: Securities of the United States and foreign governments, National banks, Federal land banks, joint-stock land banks and National farm loan associations, securities issued or guaranteed by public service corporations including railroad, securities of state banks and trust companies, securities which are a legal investment for savings banks or trust funds, and securities underwritten or sold by a corporation under the supervision of the superintendent of banks of New York. The act also exempts securities, other than common stock, upon which there has been no default in the payment of principal or interest for five years immediately preceding, and preferred stock upon which dividends have been paid for five years. A bond and mortgage sold as an undivided whole is likewise exempted.

No additional publication of notice is required for securities which were fully listed on January 1, 1925, upon any exchange in New York state. Securities listed after that date become exempt upon publication by the exchange of the prescribed notice.

The text of the New York state blue-sky law, approved June 1, 1925, will be found under the title Martin Act.

BOARD

A term which refers to the board in a commission house upon which stock market quotations are posted, and also refers to the stock market itself. In 1929 an electrically controlled device for posting quotations concurrently with their appearance on the ticker was introduced. This mechanism is called a Teleregister (q. v.).

The New York Stock Exchange is sometimes called

the Big Board, and the New York Curb Exchange the Little Board. (See Board Room.)

BOARD LOT

The unit of trading upon an exchange. Depending on the activity of the particular stock, the unit of trading for stocks on the New York Stock Exchange and New York Curb Exchange may be 10 shares, 25 shares, 50 shares, or 100 shares. The unit of trading in bonds is one bond of $1,000 par value. (See Baby Bonds, Odd Lot.)

BOARD OF DIRECTORS

See Directors.

BOARD OF TRADE

A name frequently adopted by an organization formed to promote community, industrial and commercial interests, also known as Chamber of Commerce. The title is also sometimes given to a special exchange, e. g., Chicago Board of Trade (q. v.).

BOARD ROOM

The customers' room of a broker's office where quotations from the principal markets, e. g., Stock Exchange, Board of Trade, etc., may be seen immediately after the transactions are consummated. Tickers from the various markets are installed in these rooms. The "tape" can be magnified by a tape screen for view by the entire board room by means of such an apparatus. Quotations are posted directly from the tape to the board either by manual methods, ranging from use of removable cards to blackboard chalk posting, or by mechanical methods, such as the electrical Teleregister (q. v.).

BOB

English colloquialism for the shilling. (See Shilling.)

BOBTAIL POOL

A pool in which the members act independently of one another and not through its manager. It is an informal pool in which each member closes out his contracts as he pleases, instead of the pool acting as a unit. (See Pool.)

BOERSE

The German and Dutch spelling of Bourse (q. v.)

BOLIVAR

See Foreign Moneys —Venezuela.

BOLIVIANO

See Foreign Moneys —Bolivia.

BOLSA

The Spanish spelling of Bourse (q. v.)

BONANZA

The Spanish word for prosperity and originally applied in finance to a fortunate discovery of a rich mine, the exploitation of which made the discoverer wealthy. It is now applied colloquially to any enterprise which earns an unusually large return on its invested capital.

BOND

An interest-bearing certificate of debt, being one of a series constituting a loan made to, and an obligation of, a government or business corporation; a formal promise by the borrower to pay to the lender a certain sum of money at a fixed future date with or without security, and signed and sealed by the maker (borrower); a promise to pay two things: (1) a principal amount on a stated future date, and (2) a series of interest payments, usually semi-annually during its life. "All subdivided interest bearing contracts for the future payment of money that are drawn with formality whether they are secured or unsecured, whether the interest is imperitive under all conditions, or not, as in the case of income bonds" (L. Chamberlain: The Principles of Bond Investment).

The difference between a bond and promissory note is aptly explained by F. A. Cleveland (Funds and Their Uses) as follows: "The only way that a bond is distinguished from an ordinary promissory note is by the fact that it is issued as part of a series of like tenor and amount, and, in most cases under a common security. By rule of common law the bond is also more formal in its execution. The note is a simple promise (in any form, so long as a definite promise for the payment of money appears upon its face), signed by the party bound, without any formality as to witnesses or seal. The bond, on the other hand, in its old common-law form, required a seal and had to be witnessed in the same manner as a deed or other formal conveyance of property, and though assignable was not negotiable. This is still the rule with many jurisdictions." A bond differs from an investment note only in the time which it has to run before maturity. Ordinarily the dividing line is five years; if the term of the funded debt exceeds this period, the issue is called bonds; if within this period, notes.

A bond differs from a share of stock in that the former is a contract to pay a certain sum of money with definite stipulations as to amount and maturity of interest payments, maturity of principal, and other recitals as to the rights of the holder in case of default, sinking fund provisions, etc., whereas a stock contains no promise to repay the purchase price or any amount whatsoever. The shareholder is an owner; a bondholder is a creditor. The bondholder has a claim against the assets and earnings of a corporation prior to that of the stockholder, and while the bondholder is an investor, the stockholder speculates on the success of the enterprise. The former's claim is a definite contractual one; the latter's claim is contingent upon earnings.

Numerous classifications of bonds are possible. The following classifications have been selected as the most important and useful:

1. Character of obligor. (a) Civil bonds. Examples: Government bonds, state bonds, municipal bonds, etc. (b) Corporation bonds. Examples: Railroad bonds, public utility bonds, industrial bonds.

2. Purpose of issue. Examples: Equipment bonds, improvement bonds, school bonds, terminal bonds, refunding bonds, adjustment bonds, etc.

3. Character of security. (a) Unsecured. Examples: Civil bonds, corporate debentures. (b) Secured (1) Personal security. Examples: Indorsed bonds, guaranteed bonds. (2) Lien security. Examples: First Mortgage bonds, general mortgage bonds, consolidated mortgage

bonds, collateral trust bonds, chattel mortgage bonds.

4. Terms of payment of principal Examples: Straight maturity bonds, callable bonds, perpetual bonds, sinking fund bonds, serial bonds.

5. Evidence of ownership and transfer. Examples: Coupon bonds, registered bonds, registered coupon bonds.

Bonds may also be classified according to tax exemption, conditions of payment of interest, convertibility, eligibility for investment by savings banks, insurance companies and trust funds, eligibility for securing government deposits, etc.

Specific kinds of bonds are described under separate titles, e. g., Adjustment Bonds, Bearer Bonds, Collateral Trust Bonds, Debenture Bonds, Extended Bonds, First Mortgage Bonds, General Mortgage Bonds, etc.

For bibliography on bonds, see Investment. (See Bond Circular, Bond Values Tables, Coupons, Investment, Investment Market, Investment Media, Investment Securities.)

BOND ACCOUNTS

The bond accounts of a bank are listed under General Ledger (q. v.). (See Securities Ledger.)

BOND AMORTIZATION

See Amortization.

BOND CIRCULAR

An advertisement issued by a bank, syndicate or bond house offering bonds for sale, or for the purpose of influencing purchases in bonds. The term "bond circular" since the Securities Act of 1933, which requires Registration Statement (q. v.) and Prospectus (q. v.) to be filed on new offerings of securities, still continues to be applied to descriptive data issued on any "exempt security" (q. v.). Banks (whether or not members of the Federal Reserve System) may still underwrite U.S. Government, and state and municipal securities. A bond circular usually contains a description of the offering in detail. The elements of a well-planned bond circular are: title of the bond and brief description of its security: dates of issue, maturity and interest payments; denomination and form; amount authorized and amount issued; state and Federal income taxes: conditions under which additional bonds may be issued; redemption price, if any; name of trustee; whether listed on stock exchange; guaranty, if any; description of properties of corporation issuing; past and current earnings and latest balance sheet; sinking fund specifications; territory of corporate operations; franchises, if any; engineer's and auditor's reports; attorney's opinion; whether legal for savings banks and trust funds; price and yield; reservation as to if, as, and when issued; reservation that orders are subject to prior sale; general reservation.

BOND CROWD

A term applied to those members of the New York Stock Exchange who specialize in the execution of orders to buy and sell bonds, and further subdivided into the Active or Free Crowd, which handles active issues; Book, Inactive or Cabinet Crowd, which handles inactive issues; Foreign Crowd; and U. S. Government Securities Crowd (q. v.).

BOND DISCOUNT

For treatment of bond discount, see Amortization, and Discount (4).

BOND HOLDER

An owner or holder of bonds, whether coupon bonds, (q. v.), which are negotiable bonds payable to bearer; or registered bonds (q. v.), which are registered in the name of the owner either as to principal and interest or principal only. The bondholder is a creditor of the issuer. (See Bond.)

BOND HOUSE

A firm engaged in underwriting, distributing and dealing in bonds, primarily, and generally also other securities. (See Investment Banker.)

BOND INTEREST PAYMENTS

Most bond interest dates, particularly of fixed interest bonds, are semi-annual, such as January 1st and July 1st, February 1st and August 1st, etc. Interest of income bonds, particularly those issued in connection with railroad reorganizations is usually payable once a year, usually in March or April, when allocation of available income of the preceding calendar year, is determined in accordance with indenture provisions. A minority of fixed interest bonds have quarterly interest dates. (See Coupon Bonds, Quarterly Disbursements, Registered Bonds.)

BOND MARKET

See Investment Market.

BOND OF INDEMNITY

A written instrument in which the signer (bondsman) guarantees to protect another party against loss. It is usually used in securing a corporation against loss in the case of presentment in the future of a security lost by the owner and reissued by it. It is also used to protect the drawee bank when the drawer issues a stop-payment order against a certified check.

BOND RATINGS

Measures or yardsticks of investment standing. Bond rating systems have been employed for a number of years as a guide to the relative investment strength of particular issues. Such systems are now offered as a service to investors by Moody's Investors Service. Standard & Poor's Corporation, and Fitch Investors Service.

The purpose of such ratings is to furnish a simple and readily comprehensible guide to the relative merit and standing of a bond. Bonds may and do vary in merit from little or no value to highest class, and in between there is a wide range of intermediary differences These shades of difference are graded or rated on a more or less scientific basis which assigns weights to the various elements that enter into the investment

quality of a bond, namely, margin of safety in earnings, stability of earnings, asset value, mortgage (lien) position, marketability, etc. The resultant, or statistical rating determines the position or grade to which the bond is assigned, although the strict statistical rating is sometimes modified by giving weight to imponderables, the modification being called the final rating.

Bond ratings of these recognized rating services have assumed increased importance to banks as the result of the Bank Investment Regulations of the Comptroller of the Currency (See Comptroller's Regulation), and the bank examination procedure announced June 27, 1938 by the Secretary of the Treasury, the Board of Governors of the Federal Reserve System, the directors of the Federal Deposit Insurance Corporation, and the Comptroller of the Currency, for appraisal of bonds in bank examinations. Under this procedure, Group I securities are marketable obligations in which the investment characteristics are not distinctly or predominantly speculative. This group includes general market obligations in the four highest grades, and unrated securities of equivalent value. The Comptroller of the Currency in enforcing the bank investment regulations, and the Federal Deposit Insurance Corporation in its examination of banks define the term "investment securities" to include only security obligations of banking quality. The rules which have been adopted with regard to securities rated by any one of the three recognized rating services, are as follows:

1. A security rated by only one service will be designated as of banking quality if rated within the first four grades by that service.
2. A security rated by only two services will be designated as of banking quality if rated within the first four grades by both services.
3. A security rated by three services will be designated as of banking quality if rated within the first four grades by two of those services.

Key to Moody's Bond Ratings is as follows:

Aaa—Bonds which are rated Aaa are judged to be of the best quality. They carry the smallest degree of investment risk and are generally referred to as "gilt edge." Interest payments are protected by a large or by an exceptionally stable margin and principal is secure. While the various protective elements are likely to change, such changes as can be visualized are most unlikely to impair the fundamentally strong position of such issues.

Aa—Bonds which are rated Aa are judged to be of high quality by all standards. Together with the Aaa group, they comprise what are generally known as high grade bonds. They are rated lower than the best bonds because margins of protection may not be as large as in Aaa securities or fluctuation of protective elements may be of greater amplitude or there may be other elements which make the long term risks appear somewhat larger than in Aaa securities.

A—Bonds which are rated A possess many favorable investment attributes and are to be considered as higher medium grade obligations. Factors giving security to principal and interest are considered adequate but elements may be present which suggest a susceptibility to impairment sometime in the future.

Baa—Bonds which are rated Baa are considered as lower medium grade obligations, i. e., they are neither highly protected nor poorly secured. Interest payments and principal security appear adequate for the present, but certain protective elements may be lacking or may be characteristically unreliable over any great length of time. Such bonds lack outstanding investment characteristics and in fact have speculative characteristics as well.

Ba—Bonds which are rated Ba are judged to have speculative elements; their future cannot be considered as well assured. Often the protection of interest and principal payments may be very moderate and thereby not well safeguarded during both good and bad times over the future. Uncertainty of position characterizes bonds in this class.

B—Bonds which are rated B generally lack characteristics of the desirable investment. Assurance of interest and principal payments or of maintenance of other terms of the contract over any long period of time may be small.

Caa—Bonds which are rated Caa are of poor standing. Such issues may be in default or there may be present elements of danger with respect to principal or interest.

Ca—Bonds which are rated Ca represent obligations which are speculative in a high degree. Such issues are often in default or have other marked shortcomings.

C—Bonds which are rated C are the lowest rated class of bonds and issues so rated can be regarded as having extremely poor prospects of ever attaining any real investment standing.

In the Standard & Poor's bond quality ratings system, interest-paying bonds are graded into eight classifications ranging from A1+ for the highest quality designation through A1, A⁻, B1+, B1, B, C1+ to C1 for the lowest. Bonds on which no interest is being paid, either because of default or because of "income" characteristics, are given C, D1 and D ratings. United States Government bonds are not rated, but are considered as a yardstick against which to measure all other issues.

A1+—Bonds rated A1+ are the highest grade corporate obligations. They possess the ultimate degree of protection as to principal and interest. Marketwise, they may be expected to move with interest rates and hence are desirable investment media for institutions and individuals seeking maximum safety.

A1—Bonds rated A1 also qualify as high grade obligations, and in the majority of instances differ from A1+ issues only moderately in the various elements of safety. A1-rated Bonds, too, move with interest rates and hence are appropriate media where safety is a prerequisite.

A—Bonds rated A are regarded as upper medium grade. They have considerable investment strength but are not wholly free from possible adverse effects of changes in economic conditions. However, interest is regarded as secure and, by and large, principal appears relatively safe. They predominantly reflect money rates in their market behavior, and to some extent also, business conditions.

B1+—The B1+, or medium grade, category is borderline between definitely sound obligations and those wherein the speculative element begins to predominate. These bonds have adequate asset protection and normally are covered by satisfactory earnings. Their susceptibility to changing conditions, particularly to lengthy depressions, necessitates constant watching. Marketwise, the bonds are as responsive to business conditions as they are to interest rates. The group is the lowest which qualifies for commercial bank investment.

B1—Bonds given B1 rating are regarded as lower

medium grade. They have some investment characteristics, though not enough to warrant an investment rating. In the case of utilities, interest is earned consistently but by narrow margins. In the case of other types of obligors, charges are earned on average by a fair margin, but in poor periods deficit operations are likely. These bonds fluctuate widely with business conditions.

B—Bonds rated as low as B are speculative. Payment of principal and interest cannot be assured, though frequently bonds in this group continue paying interest even though it is earned only on a cash basis. The issues move primarily with the equity market.

C1+ and C1—Bonds rated C1+ and C1 are outright speculations, with the lower rating denoting the more speculative. Interest is paid, although in the case of C1 ratings the bonds may be on an income basis and the payment may be small.

C—This rating is reserved for income bonds on which no interest is being paid, and for the best defaulted issues.

D1 and D—All bonds rated D1 and D are in default, with the D symbol assigned to issues which appear to have little recoverable value.

Quality ratings are not assigned to stocks by either Moody's or Standard & Poor's, but Fitch's assigns quality ratings to both bonds and stocks. Market ratings are assigned by Standard & Poor's to stocks, as follows: Buy, Above Average, Average to Below, and Switch. Standard & Poor's Stock Ratings express the relative degree of market attraction at time of publication. They are designed to characterize the current stock market position of individual stock issues and are never a guide to the fundamental quality of the security or the strength of the company represented.

BOND REGISTER

An original entry record kept by a bank or trust company for entering the details of each purchase or sale of bonds belonging to the investment account. From the register or journal, postings are made to the bond (or securities) ledger. This title is also applied to the record kept by a corporation of its bonds sold direct, and to the records of the registrar of bonds, such as a bank or trust company, when acting in that capacity for a corporation which has issued registered bonds. (See Securities Ledger.)

BOND VALUES TABLE

Tables of bond yields or bond values which assist in computing bond yields to maturity, or in calculating the price or value of a bond necessary to afford a given yield to a given maturity.

Various types of tables are available. In computing bond yields to maturity, the Rollins tables show the value to the nearest cent of a bond of specified maturity bearing interest rates of 2%, 2 1/2%, 3%, 3 1/2%, 4%, 4 1/2%, 5%, 6% and 7%, and yielding from 2% to 7%. Below is reproduced a sample from the 20 years maturity table, interest payable semi-annually, by reference to the table, it is apparent that a 20-year 4% bond, interest payable semi-annually, purchased at 103.50 will yield 3 3/4% to maturity.

By means of "interpolation," or calculation based on proportion of differences, exact yields not directly given by the table may be calculated. For example, the yield to maturity of a 20-year 4% bond, interest payable semi-annually, purchased at 104, is not directly given by the table. However, the table does show nearest prices of 104.21, at which yield to maturity is 3.70%; and 103.50, at which yield to maturity is 3 3/4%. The differences are 0.71 in price and 0.05% in yield. Since the given purchase price, 104, is 0.50 greater than 103.50, it will therefore yield 50/71 of 0.05% less than 3 3/4%; and conversely, will yield 21/71 of 0.05% more than 3.70%. In either case, the answer is 3.7148%, or rounded out, 3.72%.

Similarly, it may be desired to calculate the price or value of a 20-year 4% bond, interest payable semi-an-

PER CENT PER AN.	3%	3½%	4%	4½%	5%	6%	7%
2.90	101.51	109.06	116.60	124.15	131.70	146.80	161.89
3.	100.00	107.48	114.96	122.44	129.92	144.87	159.83
3.10	98.52	105.93	113.34	120.75	128.16	142.98	157.81
3 1/8	98.15	105.55	112.94	120.33	127.73	142.52	157.31
3.20	97.06	104.41	111.75	119.09	126.44	141.13	155.82
3 1/4	96.34	103.66	110.97	118.28	125.59	140.21	154.83
3.30	95.63	102.91	110.19	117.47	124.75	139.30	153.86
3.35	94.93	102.17	109.42	116.66	123.91	138.40	152.89
3 3/8	94.58	101.81	109.04	116.27	123.49	137.95	152.41
3.40	94.23	101.44	108.66	115.87	123.08	137.51	151.93
3.45	93.54	100.72	107.90	115.08	122.26	136.62	150.98
3 1/2	92 85	100 00	107.15	114.30	121.45	135.74	150.04
3.55	92.17	99.29	106.41	113.52	120.64	134.87	149.11
3.60	91.50	98.58	105.67	112.75	119.84	134.01	148.18
3 5/8	91.16	98.23	105.30	112.37	119.44	133.58	147.72
3.65	90.83	97.88	104.94	111.99	119.04	133.15	147.26
3.70	90.17	97.19	104.21	111.24	118.26	132.30	146.35
3 3/4	89.51	96.50	103.50	110.49	117.48	131.46	145.44
3.80	88.86	95.82	102.78	109.74	116.70	130.63	144.55
3 7/8	87.90	94.81	101.73	108.64	115.56	129.39	143.22
3.90	87.58	94 48	101 38	108 28	115.18	128.98	142.78
4.	86.32	93.16	100 00	106 84	113.68	127.36	141.03
4.10	85 09	91.86	98 64	105.42	112.20	125.76	139.32
4 1/8	84.78	91 54	98 31	105.07	111.84	125.37	138.90
4.20	83.87	90.59	97 31	104.03	110.75	124.19	137.63
4 1/4	83.27	89 96	96 65	103.35	110.04	123.42	136.80
4.30	82.68	89 34	96 00	102.66	109 33	122.65	135.98
4 3/8	81.80	88 42	95 04	101.65	108.27	121.51	134.75
4.40	81 51	88.11	94 72	101 32	107.93	121 14	134 35
4 1/2	80.35	86 90	93.45	100 00	106 55	119 65	132.74
4.60	79.22	85 72	92.21	98.70	105.19	118.18	131.16
4 5/8	78 94	85 42	91 90	98 38	104.86	117.82	130.77
4.70	78 11	84 55	90 99	97 43	103.86	116.74	129.61
4 3/4	77 57	83.98	90 39	96.80	103.20	116.02	128.84
4.80	77 02	83.40	89 79	96 17	102 55	115.32	128.08
4 7/8	76 22	82.56	88.90	95 24	101.59	114.27	126.95
4.90	75 95	82 28	88.61	94 94	101.27	113.92	126.58
5.	74 90	81 17	87 45	93.72	100.00	112.55	125.10
5.10	73 86	80 09	86 31	92 53	98.76	111.20	123.65
5 1/8	73.61	79.82	86.03	92 24	98.45	110.87	123.29
5.20	72.85	79.02	85.19	91.36	97.53	109.87	122 22
5 1/4	72.34	78.49	84.64	90.78	96.93	109.22	121.51
5.30	71.85	77.97	84.09	90.21	96.33	108.57	120.81
5 3/8	71.11	77.19	83.27	89.36	95.44	107.60	119.77
5.40	70.87	76.94	83.01	89.07	95.14	107.28	119.42
5 1/2	69.90	75 92	81 94	87.96	93.98	106.02	118.06
5 5/8	68 72	74 68	80.64	86 59	92.55	104.47	116.38
5 3/4	67 57	73 46	79.36	85 26	91 15	102.95	114.74
5 7/8	66 43	72 27	78.11	83 95	89.78	101.46	113.13
6.	65 33	71 11	76 89	82 66	88.44	100 00	111 56
6 1/8	64.25	69 97	75.69	81.41	87.13	98.57	110.01
6 1/4	63.19	68.85	74.51	80.18	85.84	97.17	108.50
6 3/8	62.15	67 76	73.36	78.97	84.58	95.79	107.01
6 1/2	61.14	66 69	72.24	77.79	83.31	94.45	105.55
6 5/8	60.14	65.64	71.14	76.64	82.13	93.13	104.12
6 3/4	59.17	64 62	70.06	75 50	80.95	91.83	102.72
6 7/8	58.22	63.61	69.00	74.39	79.78	90.57	101.35
7	57.29	62.63	67.97	73 31	78.64	89.32	100.00

BOND VALUES TABLE

nually, necessary to afford a 3 3/4% yield to maturity. By reference to the table, it is apparent that the price is 103.50. Where the exact price is not directly given by the table, it may be calculated by means of interpolation. For example, it may be desired to calculate the price or value of a 20-year 4% bond, interest payable semi-annually, necessary to yield 4.85% to maturity. The nearest prices given are 89.79, at which the yield is 4.80%; and 88.90, at which the yield is 4 7/8%. The difference of 0.075% in yield is equal to the difference of 0.89 in price. Therefore, the difference of 0.05% between 4.80% and the required yield of 4.85% is equal to a difference of 0.593 in price (0.05/0.075 of 0.89, or expressed in ratio form, 0.075:0.89 as 0.05:0.593). This indicates a price of approximately 89 1/4 (89.79 less 0.593, or 89.197). (See Yield.)

BONDED DEBT

Funded Debt (q.v.); the fixed debt of a government or business corporation represented by bonds.

BONDS AS LEGAL INVESTMENTS

See Legal Investments for Savings Banks, Legal Investments for Trust Funds, Legality of Securities, Legal Opinion, Life Insurance Company Investments.

BONUS

A gift; gratuity; something which is given free in addition to what is called for by a contract. (See Bonus Bonds, Bonus Stock.)

BONUS BONDS

Bonds issued in payment of, or to raise money for, promoters' services, or bonds issued by a municipality to induce a manufacturing industry to locate, or a railroad to enter, the town. The validity of such bonds is questionable. As investments these bonds are to be avoided. This title is sometimes also given to Soldiers' Bonus Bonds, as Soldiers' Adjusted Compensation Bonds, issued by various states to raise funds to pay bonuses to veterans of the World Wars. (See Railroad Aid Bonds.)

BONUS STOCK

Shares of stock given as a bonus to purchasers thereof; for instance, a certain percentage of common stock is sometimes given with purchases of bonds or the preferred stock of a corporation. This is tantamount to selling bonds or stock at a discount. The laws of some of the states prohibit the issuance of bonus stock, or else make the holder liable for the par value thereof. (See Founders' Stock.)

BOOK

A stock exchange term referring to the specialist's book which contains the limited order to buy and sell the stocks in which the specialist (q. v.) specializes. As limited orders are conveyed to the floor for execution at prices away from the prevailing market levels, they are entered (quantity and price) on the buying or selling side of the book of the specialist who handles the transactions in the issue in question. By reference to the book where orders are arranged in order of price, it is possible to ascertain quickly the number of shares wanted at each level down, and the number offered at each step up.

BOOK CREDIT

See Open Account.

BOOK CROWD

A section of the bond trading department of the New York Stock Exchange (q. v.), also called the Inactive or Cabinet Crowd, which handles inactive bonds. See Bond Market, Cabinet Crowd, Free Crowd.

BOOKKEEPING

See Bank Bookkeeping.

BOOKS

See Bank Bookkeeping.

BOOKS CLOSE

A term to indicate the day on which the transfer books of a corporation close in order that the transfer agent may make a correct list of the stockholders who are entitled to receive the dividend declared but not yet paid. "Books close" refers to such closing of the transfer books of the corporation and not to the "ex-dividend" date. The method of delivery of securities determines the ex-dividend dates on security markets. Most Exchanges, including the New York Stock Exchange and the New York Curb Exchange, use the three day delivery plan. Contracts made "regular way" are settled on the third full business day following the day of execution of the transaction. A holiday intervening between day of the transaction and the settlement day postpones the settlement day by that one full day. Thus, stocks sell "ex-dividend" on the second full business day preceding the stockholders of record date, or "books close" date; when the stockholders of record date falls on a holiday or a Saturday, the stock is ex-dividend on the third preceding full business day. All transactions that take place in the stock on the ex-divident date, other than those "for cash", are ex-dividend, the dividend being reserved to the seller, and the market price thus reflecting the deduction for the dividend. (See Closing the Books.)

BOOKS OPEN

A term to indicate the day the transfer books of a corporation are open for the transfer of stocks, after having been closed over an interval for the purpose of determining the stockholders of record who are entitled to receive dividends, or to vote, etc. (See Books Close, Stock Transfers.)

BOOK VALUE

The value of a business as a whole, or of one of its assets, as shown by its accounting records. For instance, the book value of a bond is the amount at which it is carried on the books. Originally it should be entered at cost. Subsequently the amount may be changed to bring it into agreement with its amortized value (q.v.). Similarly, the book value of a fixed asset is original cost, plus additions and improvements, less reserve for depreciation and less retirements, although frequently

fixed assets are arbitrarily marked down below true book values.

The book value of a corporation is its net worth. Where there are various classes of owners, book value is sometimes expressed in terms of dollars per share of its common stock, after deducting the value of the preferred stock at liquidation preference. The surplus whether free, e. g., available for dividends, or set aside in equity reserves, belongs to the common stockholders. Thus a corporation that has common stock totaling one million dollars (10,000 shares of $100 par value), surplus of $600,000, and an equity type reserve of $200,000, has a book value of $180. The book value of no-par common stock is found by dividing the amount of the capital plus the true surplus and reserves by the number of outstanding shares.

The book value of a partnership is equal to the sum of the partners' capital accounts plus undivided profits, if any. The book value of a sole proprietorship is shown by the proprietor's capital account after adjustment for profits or losses, contributions or withdrawals.

BOOM

A movement characterized by industrial and commercial activity, rising prices, and sentimentally by optimism and speculative enthusiasm until unwarranted high levels are reached, culminating in a reaction. Booms are both specific and general. There may be specific booms in land, stocks, bonds, or grain, acting independently of each other. A general boom is one in which the value of all properties securities and commodities rise sympathetically. (See Business Cycle, Inflation, Prosperity.)

BORDERLINE ROAD

In analysis of railroad securities, a term used to indicate railroad which is in a marginal position, i. e., having a weak credit position or low earning power as indicated by narrow margin of coverage of fixed charges. (See Railroad Bonds.)

BORROWED BONDS

Bonds are sometimes borrowed by one bank from another with or without commission because of a shortage of bonds eligible to secure Government deposits, or to serve as collateral for loans with a Federal Reserve bank, in its possession. An account should be set up in the general ledger to show the liability for borrowed bonds, if any.

Bonds, like stocks, are sometimes borrowed by brokers in order to arrange for delivery when short sale contracts have been made by customers. (See Short Sale.)

BORROWED STOCK

A term applied to stock borrowed by brokers in order to make delivery on short sale contracts executed for customers. (See Short Sale.)

BORROWER

A person or concern to which money is loaned. There are as many classes of borrowers as there are classes of loans. (See Loans.)

BORROWING PEAK

A term applying to the period of a business when its borrowings from banks normally stand at the highest figure of the year. Most businesses are seasonal in character and require more capital at some periods than other. The periodic recurrence of the heaviest demand for working capital is called the seasonal peak and the borrowing peak is reached at this time. Bank credit and loan officers know when the borrowing peak for each class of trade occurs and plan to meet the requirements of their customers accordingly. While the borrowing peak varies among merchants and manufacturers, the borrowing peak for the largest number of enterprises occurs in the fall of the year.

BORROWING POWER

The capacity of an individual, firm or corporation to borrow, or to procure accommodation at a bank. (See Credit.)

BOSTON LEDGER

A form of ledger, also known as the progressive ledger, which has been almost universally adopted throughout banking practice. Instead of giving a page to each account, as in the case of a balance ledger, the names of the accounts (usually 20 to 30 on a page) are written or printed in alphabetical order vertically down the ledger sheet, with occasional spaces allowed for inserting new names. Preferably the names should be printed down the center of the page. The days run horizontally across the width of two pages, the column for each day being divided to provide for debit and credit postings.

The advantages of the Boston ledger are that it provides immediate availability of the balance of each account, which is carried forward each day and can be ascertained at a glance; quickness in posting and proving; and saving of space. Since there are about 20 to 30 accounts on a page, it is not necessary to thumb so many pages in order to locate a given account, as in the case of the balance ledger.

Its disadvantage is its inflexibility. It must be renewed frequently, not only because each page provides for a limited number of days, but also to allow for changes in titles of accounts.

BOSTON STOCK EXCHANGE

Organized on October 13, 1834, and, with a single exception, has continued its activities uninterruptedly from that date. The exception represented the period from July 30 to December 10, 1914, and was the result of the chaotic conditions precipitated by the beginning of the World War.

The original name adopted was the Boston Stock and Exchange Board. As soon as the Board was properly organized, the members assessed themselves $100 each as an initiation fee. This was later advanced to $200, and again increased to $400, and still later to $2,000, as the Exchange grew in size and importance. It was not until about 1885 that memberships, or "seats" were considered to have a transferable value. Since April 11, 1911, the Exchange has been located at 53 State Street. On January 18, 1892, a Stock Exchange

Clearing House was organized, the second of its kind in the country.

For the first time in the history of the Boston Stock Exchange, an incorporated securities firm was admitted to full membership on June 23, 1941. Thus, the Boston Stock Exchange became the first of the larger national securities exchanges to extend full membership to an incorporated firm. This departure from traditional Stock Exchange membership requirements was made possible by a change in the Constitution of the Boston Stock Exchange, which provided as an additional safeguard for investors that corporations becoming members of the Exchange shall segregate in separate bank accounts cash balances held for customers in the same way that Stock Exchange unincorporated member firms earmark securities held in safekeeping for customers.

As of June 30, 1946, 388 issues of 321 issuers were traded in on the Boston Stock Exchange, of which 226 issues were admitted to unlisted trading privileges (q. v.), and 135 issues were fully registered. Over 82% of the stock issues were traded in on other exchanges. Bond issues totaling 26, all fully registered, were traded in, over 53% of which were traded on other exchanges. For the year ended June 30, 1946, market value of volume on the Boston Stock Exchange totaled $216,080,000, largely in stocks, $216,019,000 on 5,384,000 shares; bond volume totaled $47,000 ($36,000 principal amount), and volume in rights and warrants totaled $14,000. (See National Securities Exchanges.)

BOTTOM

When average prices reach the lowest level in a major swing, the market is said to be touching bottom or dragging bottom. The bottom usually is reached when, or shortly before, a business depression is at its worst, confidence impaired, sales and earnings small, prices low, and buying power limited. It is recognized by a period of dullness and small price fluctuations, following a long, consistent, downward trend in prices. It is characteristic of the market to make two low dips at either end of the low level, before the reverse trend sets in. This is known as the double bottom, and is regarded as an indication that the downward price movement has been concluded. Inasmuch as the bottom marks the lowest ebb of business, it also heralds the beginning of the next major swing upward. (See Business Cycle, Movement, Speculative Cycle, Swings.)

BOTTOM DROPPED OUT

A sharp decline in prices occurring when the market is already believed to be well liquidated, or touching bottom, thereby creating a panicky condition.

BOTTOM PRICE

The lowest price; the price at which a single security, or the market average, reaches the lowest point in a single day's trading, or in a major or minor movement.

BOTTOMRY

A loan secured by a lien on a vessel. (See Bottomry Bond.)

BOTTOMRY BOND

A document by which the master of a ship pledges the vessel as collateral for a loan. This may become necessary when a ship is in the foreign port and certain repairs are indispensable to enable it to continue its voyage, and the master has no other means of raising funds. A master has no authority to bind a shipowner, except in case of necessity, and the lender must use caution to see that the repairs are urgent. Sometimes the master pledges both the vessel and its cargo for a loan. In this case the document is a respondentia bond. (See Respondentia.)

BOURSE

A name which applies quite generally to the stock exchanges in the principal cities of continental Europe. "Boerse" is the Dutch, and "Bolsa" the Spanish spelling. The word is usually capitalized in order to distinguish it from the French "la bourse," which means "the purse."

Generally, the European Bourses are active and operating except those in occupied countries. (See Paris Bourse.)

BOURSIERS

The accredited members of the Paris Bourse (q. v.).

BRANCH BANKING

The system of banking in which a banking institution conducts branches or district offices at locations other than at the main or head office, as distinguished from independent banking. In many foreign countries, notably in Canada, England, and France, the branch system of banking prevails. In Canada, 10 chartered banks furnish banking facilities throughout the Dominion through over 3,000 offices. In England, 75 per cent. of the banking business is handled by five banks, some of which have 1,500 or more branches. The Bank of France is required to have at least one branch in each French Department.

In the United States, on the other hand, there is no nation-wide branch banking, and banking is largely conducted by local institutions, owned by local capital, managed by resident officers, and having a single office. This characteristically unit type of banking dates back to lack of provision for branch banking in the original National Bank Act of 1863, and to the 10% tax on State bank note circulation effective in 1866, which had the effect of driving many State banks into the national banking system. Although under the National Bank Act, these converting State banks could keep their existing branches, many chose either to discontinue their branches or organize their branches into separate unit banks. In 1909, the controversy over the merits of branch banking was again revived with passage of the Branch Banking Act of California, which led subsequently to development in that state of the large State-wide branch banking system of the Bank of Italy of San Francisco, predecessor of the present Bank of America National Trust & Savings Association. Such development of State branch banking and the growth of large business units contributed to liberalization of the National banking laws, particularly by the Pepper-McFadden Act (q. v.) of 1927, which completely revised Section 5155, Revised Statutes, relating to branch banking powers of National banks, and authorized the establishment of branch banks within the limits of city or

town of location if such branches are expressly authorized to State banks in that locality. Later, the Banking Act of 1933 (q. v.) further liberalized branch banking powers by permitting National banks to establish State-wide branches if such is affirmatively permitted for State banks, subject to maintenance of minimum capital requirements varying as to population.

Besides having powers to establish domestic branches, national banks possessing capital and surplus of $1,000,000 or more may under Section 25 of the Federal Reserve Act establish branches in foreign countries and U. S. possession in furtherance of foreign commerce, and may invest a maximum of 10% in aggregate of paid-in capital stock and surplus in the stock one or more banks or corporations organized under Federal or State laws and principally engaged in international or foreign banking or engaged directly or indirectly in banking in U. S. possessions or foreign countries.

State banks and trust companies are usually permitted to organize a limited number of branches in the state of incorporation. Certain restrictions are imposed, such as minimum capital, territory, and number of branches per unit of population. In some states, state banks and trust companies are also permitted to establish branches in other states and in foreign countries. In New York state, for instance, state banks and trust companies may establish branches in another state or in a foreign country, upon approval of the Superintendent of Banks in New York state, and if permitted by the banking officials of the other state or foreign country. To qualify, however, the institution must have a combined capital and surplus of at least $1,000,000. The branch banking laws of the various States, as summarized by the Board of Governors of the Federal Reserve System, indicate that 18 States permit State-wide branch banking, and 17 additional States permit branch banking within limited State areas. Nine States specifically prohibit branch banking, and 5 other states have no legislation regarding branch banking.

As of November 30, 1947, there were 14,077 banks and 4,113 branches and offices on which checks are drawn, in the United States.

Branch banking is to be distinguished from Chain Banking (q. v.) and Group Banking (q. v.). As defined by the Board of Governors of the Federal Reserve System, branch banking is a type of multiple office banking under which a bank as a single legal entity operates more than one banking office. Chain banking refers to the type of multiple office banking in which the operations or policies of at least three independently incorporated banks are controlled by one or more individuals, such chain systems being generally built around a key bank. Group banking is the type of multiple office banking in which three or more independently incorporated banks are controlled directly or indirectly by a corporation, business trust, association, or similar organization, generally popularly called a "holding company" The Banking Act of 1933 (q. v.) requires any such "holding company" controlling a member bank to obtain a voting permit from the Board of Governors of the Federal Reserve System before voting any stock of such member bank. Furthermore, the holding company affiliates must agree to subject themselves to the laws applicable to the individual bank, and are required to build up reserves in cash or readily marketable assets to at least 12% of the aggregate par value of the bank stock owned by them.

The branches of a bank are considered separate and distinct. Checks drawn on a particular branch are usually not payable at another branch or at the main office. If deposited for credit at another branch, they are cleared through the clearing house, in the same manner as a check drawn on a separate institution. Similarly, notes payable at a branch office may not be presented for payment at the head office or any other branch office.

Federal Reserve Banks are authorized by the Federal Reserve Act to establish branches both at home and abroad. Twenty-four branches of the Federal Reserve Banks are already in operation in the United States, but none has been established in foreign countries to date.

The advantages claimed for branch banking over independent banking are greater unity of policy, uniformity in regional interest rates, larger capital behind each office, shifting of funds to where they are most needed, permits small localities to be served, mobilization of reserves for the general benefit, expert supervision from the home office, and smaller overhead costs. The years immediately following the Pepper-McFadden Act were marked by an increase in bank consolidation brought about by the enabling provisions of the above-mentioned act; also a wide-spread movement to achieve "unified" banking through creation of bank holding companies for control of groups of state banks and trust companies. Examples of such still existent are the Transamerica Corporation and the Marine Midland Corporation. (See Bank of England, Canadian Banking System, Federal Reserve Bank Branches, Foreign Agencies, Foreign Branches, Pepper-McFadden Act.)

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BRANCH BANKS

See Branch Banking.

BRANCH OFFICES

See Branch Banking.

BRANCHES

See Branch Banking.

BRASSAGE

The term used to designate the charge made by a Government for coining bullion, which charge is equal to or less than actual cost of coinage, as contrasted with seigniorage (q. v.), which is a charge sufficient to net a profit. England abandoned brassage charges in 1666 and the United States in 1875. In recent years, the term has become of academic interest, with the end of gold coin-

age and circulation of gold coin., Since U. S. Treasury Order of December 28, 1933, requiring surrender of gold coin in circulation, and the Gold Reserve Act, effective January 30, 1934, permanently ending circulation of gold coin, minting of gold coin for circulation has ended. (See Alloy, Coinage, Mint, Seigniorage.)

BREAK

An expression used to indicate a sudden and sharp undermining of prices occurring on a stock or other exchange. An abrupt fall in market quotations.

BREAK EVEN

An expression meaning to conclude a transaction, purchase and sale, or vice versa, with neither a profit nor a loss.

BREAK IN THE MARKET

See Break.

BREAK-UP VALUE

A term synonymous with liquidating value (q. v.), used particularly in connection with public utility holding company securities subject to liquidation or integration plans under the Public Utility Act of 1935 (q. v.), and indicating the actual or estimated market or fair values of assets per share applicable to each class of security according to its priority in the capitalization.

BRETTON WOODS AGREEMENT

The Articles of Agreement adopted by the international monetary conference of 44 nations which met at Bretton Woods, New Hampshire, July 1-22, 1944. These Articles proposed the establishment of two international institutions, the International Monetary Fund (q.v.) and the International Bank for Reconstruction and Development (q. v.), as part of the economic foundation for a peaceful and prosperous post-war world advocated by the United States, the proposals having been the outgrowth of three years of study by the technical staffs of the Treasury, State Department, Board of Governors of the Federal Reserve System, and other agencies of the U. S. Government. The United States adopted the Articles of Agreement by the Bretton Woods Agreement Act, which became law on July 31, 1945. The Articles of Agreement were signed in Washington, D. C. on December 27, 1945 by representatives of nations whose subscriptions to the Fund totaled 80% of subscriptions, thus enabling the Fund and the Bank to come into existence. Function of the Fund is to maintain orderly currency practices in international trade, while function of the Bank is to facilitate extension of long term investments for productive purposes.

BRIDGE BONDS

Bonds issued to finance the construction of bridges, either public bridges, or privately owned and toll bridges, by public bodies and municipalities, railroads and private bridge corporations.

BRING OUT

To place a new issue of securities on the market by an investment house or syndicate; to make a public offering of a new issue.

BRITISH BANKING SYSTEM

See Bank of England, Joint-Stock Banks.

BRITISH TREASURY BILLS

See Treasury Bills.

BROAD MARKET

A stock market expression used to denote that a large proportion of the stocks listed are being traded in. Broadness and activity accompany each other and usually indicate public participation. A broad market, as opposed to a narrow market, also applied to a particular stock, and indicates that frequent bids at close prices exist for that stock, that the sources of demand for it are many and diverse, and that trading in it is comparatively active.

BROKEN LOT

Same as Odd Lot (q. v.).

BROKER

An intermediary or middleman who brings together buyers and sellers of the same security or commodity, and executes their orders, receiving a commission or brokerage therefor. A broker is a specialist, and accordingly well versed in the technique of his particular market, knowing the sources of demand and supply, and being an expert on prices and price trends. There are many kinds of brokers, e. g., stock, grain, cotton, produce, note, ship, real estate, mortgage, arbitrage, insurance, discount, money, etc.

The relation between customer and broker is that of principal and agent, and in most cases, e. g., stock exchange broker, the broker is a special agent.

A stock exchange broker is a member of the stock exchange, and is bound not only by law but also by the rules of the exchange. Cash and margin accounts may be carried. On cash accounts, the broker must have an Information or Signature Card signed, giving residence, occupation, citizenship and two references. On margin accounts, besides the Information Card, the broker must have the customer's Margin Agreement, permitting the rehypothecation of his securities and the sale out of his account for lack of margin. On margin accounts, the broker advances the marginal balance, charging the customer interest on the balance until the customer resells the stock or pays off the loan and takes up the stock. The stock certificates are held for the customer by the broker as collateral for the money loaned. Ordinarily, when an account falls below the margin required by law, a margin call is sent out, and if there is no immediate response, the broker at his discretion may sell sufficient stock from the account to place it in properly margined position. Customers carrying margin accounts also sign the Security Loan Consent and the Communication Consent. An employee of a member firm may solicit margin transactions by calling personally upon a customer at his home provided the customer has previously given express permission in writing for such communication (also provided the customer's home is not located more than a reasonable distance away from location of the broker's office). Cash or margin accounts will not be accepted for persons under 21 years

of age. A member firm may take or carry a margin account in which an employee of a bank, insurance company, broker, or investment firm is interested provided the prior written consent of the employer is obtained. Under no circumstances may a registered employee of a member firm guarantee a customer against loss in his account.

Many stock brokerage houses are also investment bankers, the business of which is somewhat diverse. The following distinction may be made. Brokers execute orders for their customers on a commission basis as much they do not own or sell securities. Dealers buy securities (other than new issues) for their own account or for distribution among their clientele. Participating distributors obtain allotments of new issues from underwriting syndicates and distribute them among investors. Underwriters usually a group of investment bankers) buy an issue of securities at wholesale from the issuing corporation and obligate themselves to purchase any part of the issue that they may fail to dispose of to participating distributors during an agreed upon period. Originators are promoters of new issues of new companies, but do not necessarily underwrite them.

Under New York Stock Exchange rule effective to December, 1939, all member firms carrying customers' accounts are required to furnish to customers on demand copies of their last condensed financial statement. There are four of these statements annually, of which one must be based upon the audit by independent public accountants required by rules of the Exchange. This audit is made at least once yearly without prior notice to the member firm, and includes the verification of accounts and assets, including securities held for safekeeping. Under rule effective to July, 1939, no member firm carrying margin accounts may engage in market operations as the result of which the market value of securities long exceeds the firm's working capital with certain exceptions. This rule in addition forbids general partners of a member firm carrying customers' accounts from purchasing securities on margin either through their own firm or any other broker or dealer. Short sales made by general partners in such a member firm must be margined 100% of the market value. Thus, purchases for cash only may be made. Beginning in April, 1940, the minimum capital requirements of member firms were substantially increased, minimum working capital of at least 6⅔% of the firm's total money obligations to others being required.

Condensed statement of financial condition of one of the largest New York Stock Exchange member firms as of August 30, 1939, based on audit by independent public accountants and certified by these accountants, follows:

ASSETS

Current Assets:		
Cash in banks and on hand		$ 10,831,977.20
Segregated under Commodity Exchange Act:		
Cash on deposit	$ 1,210,021.05	
Investments in United States Government securities ($3,100,000 on deposit as margin on commodity contracts at face value or approximate market value	3,000,000.00	
Clearing funds and similar cash deposits		1,958,642.65
Deposits on account of securities borrowed		169,500.00
Receivable from other brokers or dealers:		
Securities sold but not delivered		2,301,373.61
Equities in commodity accounts		155,480.50
Receivable from customers:		
Cash accounts (since cleared)		5,095,995.41
Margin accounts (secured)		51,032,835.11
Commodity trade accounts		142,433.71
Securities owned by Firm—at market value:		
United States Government securities		11,876,584.71
Municipal securities		2,560,532.30
Other securities		326,446.11
Miscellaneous current assets		715,574.70
Total current assets		$141,642,699.15
Other Assets:		
Seats and memberships—at market value		763,910.00
Office furniture and equipment (depreciated value)		581,688.74
Prepaid expenses		61,923.70
Sundry unsecured receivables		35,258.64
Total		$143,085,480.23

LIABILITIES

Current Liabilities:		
Money borrowed on securities		None
Deposits on account of securities loaned		$ 13,101,400.00
Payable to other brokers or dealers:		
Securities bought but not received		2,317,780.74
Equities in commodity accounts		16,549.56
Payable to customers:		
Credit balances		72,159,183.13
Cash accounts (since cleared)		3,497,999.53
Margin accounts (secured)		11,305,965.77
Equities in commodity accounts		22,628,998.02
Securities sold but not yet purchased—at market value		278,171.69
Dividends and interest payable and unclaimed		267,193.30
Miscellaneous current liabilities		1,307,019.63
General Partners' credit balances (includes undistributed profits)		3,891,091.15
Total current liabilities		$127,771,352.51
Reserve—For Contingencies		914,127.72
Capital Funds:		
Subordinated Notes	$ 1,750,000.00	
Net worth	12,650,000.00	$14,400,000.00
Total		$143,085,480.23

(See Agent, Brokerage, Bullion Broker, Commission House, Floor Trader, New York Stock Exchange, Note Brokers, Odd Lot Brokers, Outside Broker, Privilege Broker, Specialist, Stock Jobber, Two-Dollar Brokers.)

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BROKERAGE

A charge made by a broker for executing the order of his customers. The basis of the charge usually is arranged beforehand, and may be a percentage of the selling price, a fixed fee, or a fixed fee per unit of sale. This term has been replaced largely by the word Commission (q. v.).

BROKERS' BOARD

A name sometimes given to a stock exchange because only broker members are admitted to the floor.

BROKERS' LOANS

Loans made to brokers and dealers in securities by banks, for the purpose of purchasing or carrying securities, and in the aggregate representing the amount required to finance the floating supply of securities and the margin requirements of speculative traders in securities. Also called "street loans" or " call loans."

Great public interest in brokers' loans as alleged syphoning off of bank credit to finance market speculation led to regular publication of brokers' loans statistics beginning in 1926. At present, although the interest in brokers' loans is not as great as formerly because of high margin requirements and restriction and control of loans on securities by banks, three statistical series are most in use: 1. For volume of brokers' loans in the New York City money market, the series on "loans for purchasing or carrying securities" of New York City member banks, subdivided as "to brokers and dealers" and "to others," and published weekly for reporting member banks in New York City. 2. End of month figures on debit and credit balances of member firms of the New York Stock Exchange carrying margin accounts. 3. For inclusive figures on security loans of member banks, the quarterly Member Bank Call Report's classification of "loans on securities, except to banks," further classified as "to brokers and dealers" in New York City and outside New York City, and as "to others." Current figures on all three series are available in the monthly Federal Reserve Bulletin.

Between October, 1928 and October, 1929, total security loans are estimated to have increased from $12,825 million to $17,115 million, including increase from $2,749 million to $2,824 million in bank loans to brokers and dealers; increase from $6,375 million to $7,875 million in bank security loans to other customers; and sharp increase from $3,701 million to $6,416 million in loans to brokers and dealers by "others," meaning lenders other than banks and thus beyond control of the banking authorities. The pyramiding of this security market credit and its subsequent deflation led to imposition of restrictions on security loans of banks and also prohibition to banks of loans for the account of others, as well as inauguration of margin requirements. The Banking Act of 1933 and the Securities Exchange Act of 1934 prohibited banks from acting as agents for depositors in extending security loans; the Board of Governors of the Federal Reserve System under the Banking Act of 1933 can fix the percentage of a member bank's capital and surplus that may be loaned on securities, as well as limit rediscount privileges of banks that continue to expand security loans after official warning to desist; and pursuant to the Securities Exchange Act of 1934, the Board of Governors of the Federal Reserve System may fix maximum loan values on registered securities, thus imposing margin requirements. By Regulation "T", relating to extension of credit by brokers and dealers, and effective October 1, 1934; and Regulation "U", relating to loans made by banks for the purpose of purchasing or carrying listed securities, and effective May 1, 1936, the Board of Governors of the Federal Reserve System now exercises close control over margin requirements and security loans. (See Call Loan, Call Money Market, Federal Reserve Board Regulations.)

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BROKERAGE OFFICE ORGANIZATION

A complete and well-equipped stock commission house is organized with the following departments: (1) customers' room containing quotation boards for all active stocks, stock and bond tickers of the various exchanges, bulletin board and news ticker, and representatives to take orders and furnish information; (2) telephone division for answering inquiries and taking orders for execution by those who cannot visit the customers' room; (3) correspondence division for taking care of business and inquiries received by mail; (4) private wire system (for wire houses) to connect home office with branch offices and correspondents and available for orders, quotations, and news; (5) statistical department to provide information and figures on all corporations whose stocks or bonds are listed; (6) order department which transmit orders from the office to the floor of the exchange for execution, giving report of executions, quotations, and open orders (monthly); (7) accounting department which (a) figures and posts buying and selling orders as executed and mails notices of such executions, (b) records receipts and disbursements of cash, (c) record loans from banks with supporting collateral, together with substitutions of collateral and comparisons, collects and credits dividends and coupons, (d) records the receipt, delivery and transfer of securities purchased and sold through the Stock Clearing Corporation or directly, (e) handles customers' ledgers, figures margins, and sends margin notices when additional sums are required to protect the customer's equity, and (f) renders monthly statements of accounts. The accounting department is under the supervision of the cashier, who is responsible for cash, loans, and receipts and deliveries of securities.

BRONZE COINS

One-cent pieces, sometimes known as coppers, and as pennies, are the only bronze coins now minted in the United States. One-cent pieces currently outstanding consist of the following variations in content: (1) 95% copper, 4% tin, 1% zinc; (2) 95% copper, 5% zinc; (3) 70% copper, 30% zinc (coined briefly during World War II). They were made full legal tender by the Thomas

Amendment of May 12, 1933 (q. v.) and Public Resolution No. 10 of June 5, 1933 (q. v.). Previously, pennies were legal tender only up to 25¢ in any one payment. Coinage of two-cent bronze pieces was discontinued in 1864.

BUBBLE ACT

The name given to an act passed in England as early as 1720 in an effort to restrain promoters from selling stocks to the public in fanciful and visionary enterprises as a result of widespread losses occasioned by the "Mississippi Bubble," and other foreign trade and land failures. This act was a forerunner of our modern Blue-Sky Laws (q. v.).

BUCKETEER

A stock exchange, grain, cotton or other broker who does an illegitimate business. (See Bucket Shop.)

BUCKET SHOP

A dishonest and illegitimate brokerage house, which usually operates in stocks, grain or cotton. The essence of bucket-shop operations is the non-execution of customer's orders, or, if executed, the stocks are again bought or sold through a "house" account, or "dummy" account, so that at the end of the day's business no securities are held. The bucket shop takes a position in the market opposite that of the customer, and since the prevalent attitude of the amateur speculator is that of a Bull (q. v.), the position of the bucket shop is normally that of a Bear (q. v.). Consequently, a falling market is profitable for the bucket shop, while a rising market is apt to precipitate it into bankruptcy. The bucket shop is thus a place where the broker bets against the customer without his consent. It is a place where wagers are made on security quotations, and dealings are in profits and losses rather than in the securities themselves. Whereas the legitimate broker merely acts as agent for his customer and executes his orders accordingly, the bucketeer stakes his judgment against that of the customer.

The success of the bucket shop consists in misleading its customers, accepting inadequate margins, upon the ability to get stock exchange quotations, and upon a falling market.

In their original form, bucket shops were merely quotation betting places, since stocks were actually neither bought nor sold. The broker merely made bookkeeping entries and kept accounts with customers as if orders were executed. Dealings of bucket shops, therefore, had no effect in the making of stock prices. This old type of bucket shop became obsolete by 1916 as a result of the Hughes investigation of 1909 and the stricter legislation that ensued. In the bear market of 1919-1921, bucketeering again flourished under a more subtle and artful guise. The bucketeer actually executed orders to buy and sell stock, but immediately reversed the transaction through various "dummy" accounts (perhaps names of actual individuals) so that no actual position existed. A rising market began in the autumn of 1921, and by early 1922 many bucket shops came to grief when customers asked for delivery of the securities they had bought upon payment of the debit balance.

Anti-bucket shop laws have been enacted in most of the states, and the rules of every reputable exchange expressly prohibit the bucketing of orders, violations being punishable by expulsion. In addition, the Securities and Exchange Commission, through its regulations and visitorial powers, and dealer associations, through their self-policing, make the bucket shop a vestige of the past.

BUCKETING

See Bucket Shop.

BUDGET

A term originally applied to an itemized schedule of estimated government receipts from taxation and expenditures covering the fiscal year, prepared in advance as a guide or control for government finances. The use of the term is now extended to apply to any estimate of income and expenses, whether for a government, business, or household.

The purpose of a budget is to control expenditures with a view to keeping them in proper relationship with income and with one another, i. e., to co-ordinate the financial plans and estimates in advance, in order to enable the management to check up actual with projected operations, and to provide for discrepancies as they occur. The business budget idea has been adopted by most progressive concerns in recent years as a scientific means of co-ordinating all activities, and predetermining profits.

The business budget is usually prepared by the treasurer or comptroller, acting in conjunction with a planning department, or a committee of department heads. Estimating expenses and sales is based upon the experience of former years modified by a consideration of current trade conditions and sales policy. A budget may be complete or partial, i. e., a master budget or sub-budget. A master budget comprehends the entire range of financial activities, while a partial budget is limited to estimates for a single department, e. g., advertising.

The finances of the United States Government are controlled by a budget under the supervision of the Director of the Budget. (See Bureau of the Budget, National Budget.)

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BUDGET BUREAU

See Bureau of the Budget.

BUILDING AND LOAN ASSOCIATION

A moneyed corporation similar in organization to a savings bank and designed to encourage saving and to permit its members to acquire homes on easy terms. The New York banking law defines a building and loan association as: "A domestic moneyed but non-stock corporation organized for the purpose of encouraging industry, frugality, home-building, the saving of money by its members, the accumulation of savings, the lending of such accumulations to its members, and the repayment to each member of his savings when they have accumulated to a certain sum, or at any time when he shall desire the same, or the association shall desire to repay the same. The term, 'savings and loan asso-

ciation,' shall include every corporation, company or association doing business in this state and having for a part of its title or name the words 'building association,' 'building and loan association,' 'building and mutual loan association,' 'savings and loan association,' 'Savings association,' 'co-operative loan association' or 'co-operative bank' and every corporation, company or association whose shares are wholly or in part payable by a cumulative fund in regular or periodical installments.''

They are the oldest form of co-operative credit institutions whose operations are almost exclusively confined to the local zone which they serve, and besides the titles mentioned above in the New York banking law are known as homestead aid associations, mutual loan associations and building societies.

There are various plans of operation, e. g., the serial or Pennsylvania plan, and the permanent or Ohio plan, but all are modifications of the same principle. The associations are capitalized by selling shares to members on the installment plan. Certain weekly or monthly sums are due until the full amount paid with interest accrued equals the maturing value, which usually ranges from $100 to $200. Shares are given two values, a holding or actual value, and a withdrawal value. At maturity the actual value is the par value, and is the value upon which loans, not exceeding 85 per cent. thereof, are made. The withdrawal value is less than the actual value, and is the amount the owner may withdraw prior to the maturity of the share. In the Ohio plan, however, shares are continuously issued, and no penalties are imposed for withdrawal before maturity, since it is the intention under this plan to encourage non-borrowing members to purchase shares for the sake of the interest.

Under the auction method of awarding loans, when accumulations are sufficient they are loaned to the member who offers the highest rate of interest, i. e., the highest bonus in addition to the regular rate, with the shares as collateral, which are assigned to the association. In the meantime interest is paid upon the loan along with unpaid installments on the stock until it matures, when it is applied against the principal of the loan and any balance is returned to the member. Under the Ohio plan, there is a uniform interest rate to all, and loans may be made to persons having little or no stock in the association.

Many building and loan associations have now become members of the Federal Home Loan Bank System (q. v.), either by retaining their present organization or by converting into Federal savings and loan associations (q. v.), under charters issued by the Federal Home Bank Board of Washington, D. C. On June 27, 1934, under the National Housing Act, the Federal Savings and Loan Insurance Corporation was created to insure up to $5,000 savings and investment accounts. Insurance is optional for state-chartered savings and building and loan associations, but is mandatory for all Federal Savings and Loan Associations.

BULGE

A stock market expression to denote a small and sudden, but unsustained, advance in security prices.

BULL

A common term used among operators in various markets, and applied to a person who believes that security or commodity prices will rise, and who buys on that assumption.

Bulls are market optimists and take a favorable or constructive view of business conditions. On the grain and cotton markets, however, a bull may be one who expects a rise in prices through a blight, flood, drought, frost, or some other unfavorable development that causes higher prices by creating a shortage.

One may be a bull on a particular security, but without being "bullish" on the entire market. It is said that some persons are always bulls and some persons are always bears. The successful trader is likely to be neither one nor the other, but adjusts his attitude, whether it is "bullish" or "bearish" to fundamental conditions.

BULL MARKET

A market in which the bulls are in ascendancy and optimism and rising prices prevail. In such a market short selling is reduced to a minimum, sales being confined largely to long stock. While there are always technical reactions in a bull market, due to profit-taking on long stock and scattered short selling, there is always the expectation that the market will move to higher levels. The term usually applies to long-term swings of the market. In the past, the average bull market in stocks has run about two years. Recent bull markets have been those of 1904-1905, 1908-1909, 1915-1916, 1918-1919, 1922-1929 and 1942-1946. (See Speculative Cycle.)

BULLION

Metal in the mass; gold or silver in the crude or in the form of bars, lumps, ingots, or nuggets, whether of standard or other fineness, as distinguished from minted coins, which are known as specie. Gold bullion, usually in the form of bars, is employed in the settlement of international balances, its value being determined by its weight and fineness. (See Assay Office, Coinage, Mint.)

BULLION BROKER

A person or firm which deals in gold bullion for the purpose of supplying bankers and exporters who require it for the purpose of shipment, i. e., settling foreign trade balances, or to take advantage of a higher price in a foreign market. Sales are also made to jewelry and dental manufacturers. Since January 30, 1934, private gold holdings, either coin or bullion, are forbidden except in limited amounts for licensed purposes. Gold may still be held by the Federal Reserve Banks under earmark for the account of foreign central banks or governments, but such gold is not part of the monetary gold stock of the United States, which is all held by the Treasury.

BULLION POINTS

See Gold Points.

BULLION VALUE

The commercial or market value of a coin as metal, as distinguished from its face or coin value. Under the traditional gold standard, with unlimited gold coinage, the bullion or commercial value of gold coin was equal (allowing for any abrasion) to the face value of the coin. In the United States, various Treasury Orders in 1933 retired gold from circulation, and the Gold Reserve Act

of 1934 transferred title to all gold held by the Federal Reserve Banks to the Treasury. The bullion value of silver coins (dollars, half dollars, quarters and dimes), and of minor coins (5¢ and 1¢ pieces), is considerably less than the face or coin value, the difference being dependent upon the current market price of the metal contained in these coins. Under Act of May 12, 1933, all coin and currency of the United States were made full legal tender for all debts, public and private. (See Gold Standard, Silver Dollar, Token Money.)

BUNCHED

This term has two meanings:

(1) An expression used to denote consecutive sales of the same security at the same or different prices recorded on the tape of a stock exchange ticker.

(2) When brokers combine orders from different customers for execution in a single transaction, they are said to be "bunched." This practice is contrary to the rules of the New York Stock Exchange.

BUNCO

The practice of cheating or swindling by so-called confidence men, who play upon the credulity and avarice of their victim. After winning the confidence of the intended victim, the favorite practices are to induce him to purchase worthless stock, to cash a "bogus" check, or impose counterfeit money upon him. (See Swindling.)

BUNCO GAME

See Bunco.

BUOYANT

A stock market expression used to denote that prices have a rising tendency.

BUREAU OF ENGRAVING AND PRINTING

One of the bureaus of the Treasury Department and located in Washington, D. C. Its function is to design, engrave, print and finish the various kinds of United States paper money, United States Government securities; postage, revenue and customs stamps, and United States War Savings Stamps. It also engraves and prints pension certificates, commissions, disbursing officers' checks, warrants, transportation requests, drafts, etc. (See Treasury Department.)

BUREAU OF STANDARDS

See National Bureau of Standards.

BUREAU OF THE BUDGET

Created by Act of Congress passed June 10, 1921, the Bureau of the Budget was originally set up in the Treasury Department, but in 1939 was transferred to the Executive Office of the President. The Bureau is under the supervision of the Director of the Budget. Primary duty of the Bureau is to assist the President in the preparation, supervision and control of the budget, but its work also extends to coordination of Executive agencies, conducting research in efficiency and economy of operation of Government departments, and similarly assisting the President in managerial and fiscal matters.

BUREAU OF TRUSTS

One of the bureaus in the former Office of Alien Property Custodian. Functions of the Office of Alien Property Custodian were transferred in 1946 to the Department of Justice, where it now operates as the Office of Alien Property. The "Terminal Report" of the Alien Property Custodian in 1946 reported that the Office had seized property valued at $300,000,000, giving it direct or indirect control over assets valued at nearly $500,000,000, as well as controlling 45,000 patents and inventions, at least half a million copyrights, and many other valuable interests. Most of this property was seized during hostilities, but some was seized after termination of the war as part of the program to eliminate all interests in property in the United States owned by hostile German and Japanese nationals. However, legislation passed in 1946 permits the return of property to non-hostile persons such as nationals of countries which were occupied by the enemy and the payment of debt claims of American residents against the former enemy owners of seized assets.

BUSINESS BAROMETERS

Trade data; indices of industry and commerce; statistical indicators of business conditions; fundamental and comparative business statistics by which business volume, activity, credit supply, price trends, profit prospects and investment opportunities may be measured. Like weather barometers which forecase meteorological conditions, business barometers may also be used as instruments to forecast business, credit and investment tendencies.

A vast amount of statistical data relating to business is now prepared in the United States by the Government, co-operative trade associations, individual businesses, trade journals, and private economic and statistical bureaus engaged in the business of business analysis and forecast. While the United States has made important progress in statistical compilations and is probably ahead of any other nation, from the viewpoint of the barometrician the gaps in business data still leave much to be desired.

Business barometers when analyzed and interpreted by trained business men and business analysts afford a basis for the scientific appraisal and forecast of business conditions and prospects which is particularly useful in business planning. The chief risks of business consist of estimating consumption, production costs, and prices. Sales policies and the production programs largely depend upon knowing probable sales and prices in advance. In a word, the business man is in a position to eliminate much of the risk of business if he can successfully forecast price trends which are equally important on the buying and selling sides. In the lumber industry, for instance, the necessary barometers for accurately predicting future price trends on the supply side would be: (1) production, (2) shipments, (3) accumulated stocks on hand, (4) invisible stocks, (5) cost of production, and (6) raw material reserved. On the demand side the barometrician would want to have the following data: (1) current orders, (2) current deliveries, (3) purchasing power, (4) potential demand as shown by trade reports from the customary markets, e. g., building, furniture, vehicles, etc., and (5) changes in public taste.

Barometers are sometimes divided into three classes—business, investment, and credit. While the separation may be advantageous from some points of view, it should be recognized that they are mutually interdependent. Good business conditions depend upon

favorable credit conditions; likewise security prices are dependent upon the state of business and credit.

New York Stock Exchange quotations probably constitute the best single "all-purpose" business barometer because they represent the composite judgment of hundreds of business men, investors and professional speculators. The history of price movements on the New York Stock Exchange shows that these movements anticipate with amazing accuracy business and profit trends in the United States. Stock exchange price movements usually foreshadow or "discount" changes in the business situation from three to nine months ahead, and if properly interpreted became a valuable barometric index of future conditions. It also indicates the channels in which capital may be most profitably invested, as well as the errors of promoters, bankers and financiers in the misapplication of capital.

Business barometers are sometimes subdivided in four classes: (1) measures of business activity (volume of trade), (2) measures of production, (3) measures of consumption, and (4) measures of price trends and profit prospects. While these are naturally dependent on one another, it may prove useful to keep them distinct. They are presented as follows:

MEASURES OF BUSINESS ACTIVITY (VOLUME OF TRADE)

1. Railroad gross earnings.
2. Car loading.
3. Bad order cars.
4. Bank clearings.
5. Debits to individual accounts.
6. Imports and exports.
7. United States postal receipts.
8. Steel shipments.
9. Port clearances and idle shipping tonnage.
10. Shipments of grain and live stock.
11. New enterprises.
12. Gasoline consumption.
13. Employment.
14. Chain-store and mail-order house sales.
15. Sales of representative department stores.
16. Cotton cloth production.

MEASURES OF PRODUCTION

1. Government crop reports of estimated and actual yields.
2. Pig iron.
3. Steel ingots.
4. Copper.
5. Building contract awards (permits).
6. Bituminous coal.
7. Lumber.
8. Crude petroleum.
9. Active cotton spindles.
10. Kilowatt hours generated by public utilities.
11. Automobile production.
12. Boot and shoe production

MEASURES OF PRICE TRENDS AND PROFIT PROSPECTS

1. Index numbers of wholesale prices. (See Index Numbers.)
2. Prices of basic commodities, e. g., grains, cotton, steel, pig iron, copper, petroleum, coal, rubber, live stock, lumber, silk, etc.
3. Average prices of bonds and stocks.
4. Reports of earnings of basic industries, public utilities and railroads.
5. Dividend disbursements of key industries.
6. Business failures.
7. New Domestic capital issues.
8. New incorporations.

CREDIT BAROMETERS

1. Excess bank reserves.
2. Federal Reserve System ratio of reserves to liabilities.
3. Ratio of deposits to loans for member banks.
4. Money rates for: (a) call loans, (b) time loans, (c) bankers' acceptances, (d) commercial paper, (e) open market transactions.
5. Federal Reserve rates of rediscount.
6. Federal Reserve notes in circulation.
7. Official estimates of monetary stock.
8. Gold movements.
9. Gold production.

INVESTMENT BAROMETERS

1. Money rates.
2. Average bond prices.
3. Average stock prices.
4. Municipal bond sales.
5. Activity of the New York Stock Exchange.
6. New capital issues.
7. Refunding issues.

(See Business Cycle, Business Forecasting Services, Fundamental Conditions, Investment, Market Sentiment, Speculative Cycle.)

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(See also Bibliography under Business Cycle.)

BUSINESS CYCLE

An interval which embraces alternating periods of business prosperity and depression. It is one of the most significant phenomena of the capitalistic system and appears to be an outgrowth of our modern credit system in which production takes place in advance of consumption. Business volume and commodity prices do not remain constant, but are subject not only to seasonal variation, but to long-term fluctuations. In other words, business travels in waves, and excesses of activity appear to be counteracted by excesses of depression.

(1) Crisis—This is the turning point or decisive moment which marks the collapse of the period of prosperity, inflation, extravagance and high prices. It is usually initiated by a buyers' strike as a reaction from high prices. Crisis is likely to be followed by a panic. This is primarily a financial phenomenon characterized by a collapse of the credit structure, universal demand for money payments, lack of confidence in the ability of debtors to pay debtors to pay debts, and usually by a series of important business, brokerage and banking failures. Banks are the storm centers of panics, since everyone is experiencing difficulty in securing an ade-

quate supply of cash. If important failures occur, "runs" are likely to be made upon the banks, and a great strain is placed upon the banking system.

(2) Emergency Liquidation—Following the crisis (and panic if there is one) comes a period of emergency liquidation. During the previous period of prosperity production has been at a high rate, leading to an overstocking of goods at high prices. When the crisis announces the end of the period of high prices, businesses are eager to unload or to "get out from under" before prices decline further. There is, moreover, an oversupply of goods and a shortage of cash. Quantities of goods are, therefore, placed on the market for what they will bring.

(3) Depression—This is a period of "hard times" in which the disturbance in the normal equilibrium between supply and demand is still felt. Prices are low and efforts are made to work off the excess of goods. There is a drastic curtailment of production, resulting in widespread unemployment, reduction or elimination of profits, accumulation of money supply through the deflation of credit, and a general practice of economy. There is a constant "feeling for the bottom" in the price movement.

(4) Readjustment—When the bottom of the price movement has been struck, the period of readjustment begins. It is characterized by irregular and uneven price movements which are in process of stabilization and harmonization; also by sharp competition, lower production costs, elimination of the of the inefficient (numerous business failures) but with the return of more cheerful sentiment.

(5) Recuperation or revival—The period of readjustment blends so imperceptibly into the recuperative phase that the latter is not easy of detection. By this time the deflation process has been completed, bank reserves are high and interest rates are low. Lower prices begin to stimulate demand, first noticed at the retail stores. Recuperation may be hastened by such propitious events as bumper crops, increase in foreign trade, or a boom in building. The increase in retail demand communicates itself to the wholesaler, jobber and manufacturer, until normal conditions reappear.

(6) Prosperity—The economic forces which account for the revival also account for prosperity except that they act more intensely. As the demand for goods increases industry picks up, more labor and capital are employed, as a result of which purchasing power is increased. This, in turn, stimulates demand, and because stocks have become depleted production and deliveries lag behind orders. This condition leads to increased production costs and contract renewals at higher rates. As costs advance, prices, wages, rents and interest rates rise. A large volume of business is being done on a rising market and business men are making large profits and laborers high wages. For a time, at least, the prosperity is cumulative, since purchasing power increases in proportion.

(7) Over-extension and speculation—Unfortunately the period of prosperity does not last. It contains elements of danger. Sooner or later businesses find existing facilities inadequate to supply the demand. This leads to an expansion of facilities acquired at high costs. Output is increased, but also at higher costs. The program of expansion has tightened credit and raised interest rates, but the lure of profits due to rising markets, provides a powerful incentive for business to produce at the maximum. Prices rise, profiteering sets in, extravagance in consumption appears, and credit becomes inflated. In the final stages, costs rise more than selling prices, due to the decline in the efficiency in labor, rising raw material prices, and higher interest rates. Speculation for further rise in prices tends to make prices rise higher than warranted, finally resulting in a buyers' strike. This leads to a crisis.

While a business cycle is a rhythmical phenomenon, it has no definite periodicity, e. g., three years, seven years, or twenty years. No two business cycles are alike, but rather consist of a different combination of factors.

In reviewing the history of business cycles, crises, panics and depressions in the United States, it must be borne in mind that the causes of fluctuations in business are highly controversial and only imperfectly understood. Many hypotheses have been advanced since business recessions first appeared in American history and innumerable panaceas have been proposed. An outstanding authority, Wesley C. Mitchell in "Business Cycles and Unemployment," wrote:

"Fifteen times within the past one hundred and ten years, American business has passed through a 'crisis.' The list of crisis years (1812, 1818, 1825, 1837, 1847, 1857, 1873, 1884, 1890, 1893, 1903, 1907, 1910, 1913, 1920) shows that periods between successive crises have varied considerably in length. Further, no two crises have been precisely alike, and the differences between some crises have been more conspicous than their similarities. It is not surprising, therefore, that business men long thought of crises as 'abnormal' events brought on by some foolish blunder made by the public or the government which is often summed up by the newspapers in a picturesque phrase 'the Jay Cooke panic' of 1873, 'the railroad panic' of 1884, 'the Cleveland panic' of 1893, 'the rich man's panic' of 1903, 'the Roosevelt panic' of 1907.

"Longer experience, wider knowledge of business in other countries, and better statistical data have gradually discredited the view that crises are 'abnormal' events, each due to a special cause. The modern view is that crises are but one feature of recurrent 'business cycles.' Instead of a 'normal' state of business interrupted by occasional crises, men look for a continually changing state of business . . . in a fairly regular way. A crisis is expected to be followed by a depression, the depression by a revival, the revival by prosperity and prosperity by a new crisis. Cycles of this sort can be traced for at least one century in America, perhaps for two centuries in the Netherlands, England, and France, and for shorter periods in Austria, Germany, Italy, Spain, and the Scandinavian countries. Within a generation or two similar cycles have begun to run their courses in Canada and Australia, South America, Russia, British India and Japan.

"At present it is less likely that the existence of business cycles will be denied than that their regularity will be exaggerated. In fact, successive cycles differ not only in length but also in violence, and in the relative prominence of their various manifestations. Sometimes, the crisis is a mild recession of business activity as in 1910 and 1913; sometimes it degenerates into a panic as in 1873, 1893, and 1907. Sometimes the depression is interrupted by an abortive revival as in 1895, sometimes it is intensified by financial pressure as in 1896 and 1914. Sometimes the depression is brief and severe as in 1908, sometimes it is brief and mild as in 1911, sometimes it is both long and severe

as in 1874 to 1878. Revivals usually develop into full-fledged prosperity, but there are exceptions like that of 1895. Prosperity may reach a high pitch as in 1906-1907 and 1916-1917 or may remain moderate until overtaken by a mild crisis as in 1913 or a severe panic as in 1893."

In their latest work, "Measuring Business Cycles" (1946), Profs. Arthur F. Burns and Wesley C. Mitchell find little or no confirmation in statistics on cycle duration that business cycles have undergone noteworthy secular changes. Their study shows that in the years 1908-1933, the average duration of a business cycle lasted 42 months, as compared with 61 months in the years 1854-1885, and 42 months for the middle period studied. Within each period, moreover, the variance of duration was similar, ranging from 29 months for the shortest and 63 months for the longest in the period 1908-1933, as compared with 30 months for the shortest and 99 months for the longest in the period 1854-1885. "It is possible that a lasting change has taken place in the character of the business cycle since 1914," the authors note, "but we do not have as yet a sufficient number of cyclical observations to establish the result with confidence." Some evidence is also found, although termed far from conclusive, that cyclical fluctuations in the United States have intensified.

Profs. Burns and Mitchell also find that the 1933-1937 period consisted of a single cyclical expansion which "unlike past recoveries in this country were subject to repeated political shocks." The extent to which Government can or should intervene in an attempt to iron out the business cycle has been a matter of great contention in recent years by economists and politicians alike since the deficit financing and spending program of the Roosevelt Administration was first tried in an effort to "prime the pump."

(See Business Barometers, Business Forecasting Services, Speculative Cycle.)

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BUSINESS FAILURES

See Failures.

BUSINESS FORECASTING SERVICES

If cycle movements of prices in commodities, securities and money actually occur, as explained under the term Business Cycle (q. v.), and business conditions and price movements are subject to analysis and interpretation as explained under the term Business Barometers (q. v.), then price movements become, in part at least, amenable to scientific forecast. While most business men recognize the validity of the principles underlying the business cycle and the importance of watching business barometers, few regard themselves as capable of analyzing and interpreting available data first hand. Business forecasting has, therefore, become a specialized profession.

Various organizations are engaged in the business of selling business, speculative and investment forecast services. The statistical services, which provide factual descriptive data in manuals as well as interpretative services, are:

Fitch Investors Service

Moody's Investors Service

Standard & Poor's

The interpretative or economic services, in addition to the above, include:

Alexander Hamilton Institute Service

American Institute for Economic Research

American Institute of Finance
Babson Statistical Organization
Brookmire Economic Service
International Statistical Bureau
Investment Timing (National Securities & Research Corp.)
The Book of Indices (Mansfield & Porter)
United Business Service
Value Line Investment Survey

United Business Survice Features as part of its service the United Opinion Report, which collects the interpretations of the Alexander Hamilton Institute Service, American Institute for Economic Research, Babson, Brookmire Economic Service, International Statistical Bureau, Investment Timing (National Securities & Research Corp.), The Book of Indices (Mansfield & Porter), and Standard & Poor's.

Besides the above, there are active a number of interpretative and market advisory services. The Investment Advisers Act of 1940 (q. v.), effective November 1, 1940, requires registration with the Securities and Exchange Commission by individuals, partnerships, corporations or other forms of organization who for compensation engage in the business of advising others either directly or through publications or writings as to the value of securities or as to the advisability of investing in, buying or selling securities, or who for compensation and as part of a regular business, disseminate analyses or reports concerning securities.

In addition to the above services available to the public, there are many technical services usually available only professionally, such as the Argus Research Corporation service on securities, Copeland railroad traffic charts, Dun and Bradstreet confidential credit reports, National Stock and Bond Summary service, on quotations, White & Kemble mortgage maps, etc. Many brokers, commission houses and banks, such as the Cleveland Trust Company, Guaranty Trust Company of New York, National City Bank of New York and the New York Trust Company, also provide free of charge daily, weekly, or monthly publications containing business forecasting data. Finally, the financial sections of metropolitan newspapers, particularly in Annual Reviews, and financial magazines and financial newspapers (q.v.), contain both interpretative and factual business forecasting data.

Government publications, complete catalog of which is obtainable from the Superintendent of Documents, U. S. Government Printing Office, Washington, D. C., provide a primary source of business forecasting data. The survey of Current Business, published monthly by the Department of Commerce, and the annual Statistical Abstract and Commerce Yearbook; the monthly Federal Reserve Bulletin of the Board of Governors of the Federal Reserve System; and the Monthly Bulletins of the regional Federal Reserve Banks may be cited as particular sources.

Business and investment forecasting services are sold out of recognition of the fact that the largest profits in business and in speculative commitments are derived from anticipating price changes. If forecasts are accurately made they may become the source of increased profits for the subscribers. These services are usually divided in several parts in order to make an appeal to business men who are primarily interested in commodity price changes and general business conditions, to speculators who are interested in stock and commodity market prices, and to investors who are interested in investment securities.

(See Financial Magazines, Financial Newspapers, Manuals, Mercantile Agencies, Moody's Investors Service.)

BUSINESS INDEX

See Index-Numbers, New York Times Business Index.

BUSINESS INSURANCE

A generic title to comprehend any kind of insurance taken out for insurance purposes, e. g., fire insurance, liability insurance, rain insurance, plate glass insurance, use and occupancy, etc. In a special sense it applies to life insurance taken out by the heads of a large business or by wealthy men to make good the loss to the business or personal estate which would be caused by their premature death. Life insurance is a potential quick asset, and the money that becomes available when the originator or "master mind" of a business dies, providing his life has been insured for the benefit of the business, fortifies the business against loss of prestige at a possible shrinkage of credit. The theory is that the insurance money will tide the company over the transition period until the successors in the business prove to their business clientele that the business can be carried on as competently as before. (See Insurance.)

BUSINESS MAN'S INVESTMENT

Bonds or stocks of intrinsically sound companies, the earnings of which, and, therefore, security values, are affected by business conditions and must be constantly watched. Such investments are suitable only for persons in close touch with business conditions, and who are able to interpret the effect of changes in business conditions upon such holdings. (See Business Man's Risk.)

BUSINESS MAN'S RISK

A risk such as is involved in a business or security, the income from which is uncertain, but which promises large returns under favorable management. A risk which a business man is warranted in taking because of his knowledge of business conditions, the management of the concern in which the investment is made, and his ability to protect himself in case of unfavorable developments. But while a business man is justified in taking such a risk it would be an unwise risk for others not familiar with these facts. (See Business Man's Investment.)

BUSINESS PAPER

A term to designate that class of Commercial Paper (q. v.) which is given in payment of merchandise and discounted by the payee at his bank. Trade acceptances may be classified as business paper.

BUSINESS RESERVE

A reserve, usually designated "reserve for contingencies," created of earnings of a company and set aside against possible adverse contingencies or emergencies, e. g., business depression, damage suits, death of an important officer, unusual operating losses, or to provide ready capital to take advantage of sudden business opportunities. This reserve is usually invested in high-grade marketable securities bearing a fair interest

return. The plan of building up such a reserve is steadily gaining favor among well-conducted companies. Such a reserve may tide a business over a period of financial or business strain, stabilize dividend payments, or enable it to exploit opportunities as they may occur.

BUSINESS RISK

An expression used by credit men in contra-distinction to moral risk and property risk. The business risk is that element of a credit risk which depends upon the business ability of the managers of the concern under consideration. The chief test of this risk is capacity to produce profits over a period of time. In measuring or testing a business risk the credit man investigates the following points: (1) Is the business sound, legitimate and stable, or illegitimate and risky? (2) Is the volume of business declining, advancing or stationary? (3) Are modern production and sales methods being used? (4) What reputation does the product of the concern enjoy in the trade? (5) What has been the ratio of profits to invested capital for, say, the past five years? (6) What is the (a) range of fluctuation of gross profits, (b) percentage of operating expenses to gross profits, (c) range of fluctuation of this percentage, (d) margin of profits above operating expenses, and its range of fluctuation? (See Moral Risk, Property Risk.)

BUSINESS SOLVENCY

A condition which exists when the total assets of a business exceed the total liabilities, as distinguished from Financial Solvency (q. v.). A business may have business solvency and yet be financially insolvent. From the standpoint of credit, a business must be solvent from both points of view, in order to qualify as a good credit risk. Net worth is the measure of business solvency and net working capital is the measure of financial solvency. (See Financial Solvency, Solvency.)

BUSINESS STATISTICS

See Business Barometers, Business Forecasting Services, Index-Numbers, Statistics. Bibliography on the subject will be found under Business Barometers and Prices.

BUTTER

See Chicago Mercantile Exchange.

BUYER'S OPTION

See Option

BUY IN

(1) Another term for "to cover" (q. v.), indicating the purchase of securities or commodity contract previously sold short.

(2) Buy in "under the rule" (q. v.) refers to the purchase of a member firm's contracts to buy and sell under New York Stock Exchange rules.

BUYING BACK

Stock which has been sold short must be bought back, or "covered" in order to complete the transaction. Buying back is purchasing a security which has previously been sold short. (See Short Sale.)

BUYING IN UNDER THE RULE

See Under the Rule.

BUYING ON A SCALE

Stock is frequently bought on a scale for the purpose of averaging the purchase price on the principle that the low point of a given market movement cannot be exactly predicted. Buying orders are placed with a broker for execution at prices representing regular intervals downward, e. g., to buy 100 shares of U. S. Steel at 90, 87 1/2, 85, 82 1/2, etc. (See averaging.)

BUYING ON BALANCE

A stock exchange or broker's expression to denote excess of buying activity. While it is true that purchases and sales in the aggregate must balance, any given broker on a single day may execute (in number of shares) more buying orders than selling orders. Commission houses with a branch organization and extensive wire connections throughout the country receive and execute a wide variety of orders during a day's session. If, after the close when the books are balanced, the house determines that their clients purchased more shares than they sold, the house is said to be a buyer on balance. If, on the other hand, executions to sell were in preponderance, the house was a seller on balance.

BUYING ORDER

An order given to a broker or banker to purchase securities, commodities, etc., with certain specifications. Among brokerage houses there are three ordinary classes of orders according to the time limit. When no time limit is specified the order is considered to be good only for the date it is given, and is known as a Day Order. Orders are also placed with instructions, Good till cancelled or Good till countermanded (G. T. C. orders). Orders may also be placed with a specified time limit, e. g., one week, or one month.

As to price, buying orders may be "at the market," or "limit" orders, i. e., a stated price may be specified. (See Orders.)

BUYING OUTRIGHT

The purchase of securities for immediate delivery for which full cash payment is made. It is the contrary of buying on a margin.

BUYING RATE

A term used among foreign exchange banks and brokers to indicate the rate at which they agree to buy foreign currency, cable transfers, or bills of exchange on foreign countries for stated maturities and amounts, as distinguished from the quoted selling rates, which obviously are higher. Different rates are quoted for cables, checks, and time bills. (See Cable Rate, Check Rate, Long Rate, Short Rate.)

BY-LAWS (OF BANKS)

As part of the organization procedure for national banks, after the directors are elected but prior to the date of the organization certificate, they must take the oath of office, after which the directors adopt the by-laws. The by-laws must not be inconsistent with the bank's articles of association or with bank law. As in the case of other types of corporations, the by-laws of banks outline the powers and duties of the officers and other details of operation of the bank. The Comptroller of the Currency furnishes a model for the by-laws available as a guide. After the officers are selected by the directors, a copy of the by-laws and signatures of the officers are forwarded to the Comptroller of the Currency.

CABINET CROWD

A section of the bond trading department of the New York Stock Exchange (q.v.), also called the Book Crowd and Inactive Crowd, which handles and facilitates trading in inactive bonds. All orders on a particular issue are written on standard-sized cardboard slips and filed in cabinets, the buy orders being filed separately in different panels of the cabinet arranged according to price and order of receipt, highest bids first on the buy orders, and lowest offerings first on the sell orders. As the market permits, the orders are executed in the order of filing, the first orders in the panel at a price being the first to be executed at that price, regardless of size.

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CABLE RATE

The rate quoted for a Cable Transfer (q.v.) as distinguished from the check (demand draft) rate, and the rate for 30,60 and 90 day bills of exchange. The cable rate is always higher than the check rate, or rate for time bills, because the bank selling the cable transfer does not have use of its funds deposited abroad as long as it would in the case of issuing a check or time draft. In the case of the check, the foreign bank cannot draw against the selling bank nor charge its account until the advice arrives (10 days to 6 weeks later), or in the case of a time draft, until its maturity. In the case of a cable transfer the selling bank's account is charged by the bank ordered to make the disbursement, just as soon as the funds are paid to the beneficiary. Thus, the cable rate may be regarded as equivalent to the check rate plus interest that is saved while the check is transiting, modified by the market situation in cable funds.

From the standpoint of a purchaser, the higher rate for a cable transfer represents the cost of the privilege of deferring the purchase of funds until actually needed abroad, and leaves him in a position to take advantage of any intervening decline in rates. The cable rate does not include the cable charges which are borne by the purchaser. (See Cable Transfer, Check Rate, Long Rate, Short Rate.)

CABLE TRANSFER

A means by which a bank or foreign exchange dealer enables its customers to remit funds abroad immediately. Suppose "A" in New York wishes to remit a thousand pounds to "B" in London. "A" will apply to a foreign exchange banker for a cable transfer ordering payment to be made to "B" in London. Upon the deposit of $4,027.50 (assuming current "support" rate), plus cable charges, the New York bank will cable its correspondent in London and authorize it to pay one thousand pounds to "B" and charge to its (the cabling bank's) account for the amount. In practice, customers having accounts with a bank maintaining a foreign exchange department do not pay for the cable transfer until the following day, or the day when the funds are paid abroad. When the cable reaches the London correspondent, the latter notifies "B" to call for the funds, and upon identification pays him.

Cable transfers may be made payable in dollars or in a foreign currency, usually the latter. When in a foreign currency, the rate quoted includes the bank's commission. For dollar cable transfers a commission (usually 1/4 of 1 per cent) is charged in addition to cablegram charges. The principle of the cable transfer is the same as the domestic telegraphic money transfer, except that in the latter, foreign exchange rates are not involved.

Cable transfers are usually dealt in by bankers in order to take advantage of temporary money market conditions here or abroad, or to provide funds for meeting withdrawals from balances held abroad.

CABLES

A general term given to communications usually in code, and particularly to orders to pay money, sent abroad over transoceanic cable lines, or by wireless. (See Cable Transfer.)

CALL

This term has four meanings:

(1) A demand for the payment of an installment on the purchase price of bonds or stocks subscribed for, the time of call usually being descretionary with the issuing organization, but sometimes according to definite prearranged dates. The subscribed but uncalled capital of a corporation may be called at any time, but only in accordance with the agreement made with subscribers when the stock was first allotted.

(2) A contract, which for a consideration, gives the holder the right to purchase from the person signing the call a specified security or commodity within a certain period at a stipulated price. A call is sold and executed by a person who does not believe that the market price of a security or commodity, within the duration of the call, will go higher than the price specified in it, and that therefore the holder will have no object in exercising his right to demand delivery of the security or commodity. Contrarywise, the buyer and the holder of the call predicts that the price of the security (or commodity) will advance during the contract period. Being primarily a speculator, and not desiring to invest his money outright, he purchases the right to buy a security (or commodity) at the stated price, and if his prediction is verified, makes a profit by calling for delivery of the security (or commodity) at a price lower than that prevailing in the market. It is often used as a form of insurance, i. e., to protect paper profits and to prevent large losses. A call is not permitted on the floor of the New York Stock Exchange, but these contracts are often engaged in outside of the Exchange and executed by stock exchange members. In London, calls are a much more customary transaction than in New York. (See Put.)

(3) Comptroller's Call (q.v.).

(4) Margin Call (q.v.).

CALL COTTON

Term applied to cotton bought or sold on call, under Call Purchase or Call Sale contracts (q.v.).

CALL LOAN

A Loan which either the borrower or lender may terminate at will. Call loans are practically restricted

to stock (and other) exchange brokers and are sometimes known as "Stock Exchange," and "street" loans. While all call loans are technically subject to immediate termination at the option of the borrower or lender, distinction should be made between loans at "sharp call" and at "slow call." In the former, the right of the lender to call is used without fear or favor. They are "cold-blooded." In the latter, there is an informal tacit understanding that the loan will not be called except as a last resort. Many stock exchange loans run for months without being called.

In New York Stock Exchange practice, if a lending bank wishes to call a loan, notice must reach the borrower before 12:30 P.M. in order to compel payment upon the same day; otherwise payment need not be made until the following business day. On the other hand, if a borrower wishes to liquidate a call loan, negotiations for payment must be made before 1 P.M. in order to avoid liability for another day's interest. The statutory limit on interest rates does not apply to demand or call loans made to corporations, partnerships or individuals on stock exchange collateral in amounts in excess of $5,000. Consequently, the call loan rate may be made higher than 6 per cent., and in 1929 was actually as high as 30 per cent. Moreover, corporations are debarred from pleading usury.

(See Bankers' Loans, Call Money Market, Demand Loan, Renewal Rate.)

CALL LOAN RATE

The rate at which money lent at call bears interest. This is subject to change each day, if the renewal rate is changed. (See Call Money Market, Renewal Rate.)

CALL MONEY

Money lent by banks, usually to stock exchange brokers, which may be called, i.e., demand may be made for payment, at any time. Call Money is also known as day-to-day money, and as demand money. (See Call Loan, Call Money Market.)

CALL MONEY MARKET

A part of the mechanism of a stock exchange, by which brokers are provided with call funds secured by stock exchange collateral to meet their requirements. New York is the principal call loan center of the country, and New York banks are the chief suppliers of this form of credit. Sums are also usually invested in call loans by New York banks for the account of interior bank correspondents. Since 1935, loans for the account of out-of-town banks have been low in volume, and the Securities Exchange Act of 1934 prohibits banks from making loans to brokers for the account of others than banks, so that most of the volume of loans to brokers and dealers in New York City by New York City banks has been for own account.

In New York City, call loans are negotiated by the lending banks either directly with the borrowing brokers, or through the agency of the "money desk" at the Stock Exchange. The latter is the customary practice. The call loan renewal rate is determined each day at about 11 a.m. by the Stock Clearing Corporation, based on anticipated supply and demand during the day. Banks having money to lend are not required to offer it at the established rate, but may offer it for more or less.

The call money market offers a convenient investment medium for surplus or temporarily idle funds, or funds which a bank desires to keep in liquid condition. Since call loans are repayable at the option of the lender or borrower within 24 hours, a bank can make a commitment without endangering its cash reserve position, or without losing the opportunity of investing the funds at a higher rate on a time basis, should a favorable market eventualize. Next to cash, and balances on deposit with other banks, call loans usually represent a bank's most liquid asset.

The amount which a bank can invest in call loans depends upon its immediately available uninvested surplus funds. Banks which habitually enter the call money market, defer making their offerings until they determine the amount of their other commitments for the day. The first step in this procedure is to ascertain the ratio of cash reserve to net demand deposits in order to see that it meets the legal requirements. This in turn will depend upon whether the clearing house balance for the day is a net debit or credit. When the bank determines how much money is at its disposal for call loans, it communicates with the money desk on the floor of the Stock Exchange, giving instructions to the clerk to offer the sum on the board, either at the established rate, or some other specified rate.

Funds offered by banks at the money desk in the exchange, are allocated among the borrowing brokers in accordance with their needs, and in order of their application. Lending banks exercise no prerogative in choosing their borrowers. The rule is that unless a bank gives instructions to the contrary, it must accept the names which the clerk at the money desk reports back. A bank cannot refuse to lend because it dislikes a particular borrower, although it can call the loan the next day, if it chooses. Were it not for this rule, confusion in making call loans would be unmanageable. Some brokers, moreover, would certainly fail to get the accommodation they need. Consequently, the offerings are apportioned among the brokers without favor, provided they are Stock Exchange members and can furnish satisfactory collateral. This policy is essential if the brokers are to continue in business.

In extraordinary situations in the past, when not enough money has been offered to satisfy the brokers' demand, a money pool has been formed. Some influential banker is appointed as chairman of a bankers' committee, and his duty is to raise the deficiency by practically compelling the banks having the highest reserves to contribute to the pool. Such a condition occurs only during times of great credit stringency.

In so doing, banks protect themselves as well as the brokers, since failure of important brokerage houses tends to precipitate a panic and a collapse of security prices, which form the collateral behind the brokers' loans. For these reasons, brokers must be adequately provided for. Otherwise, they would soon fail because of inability to finance the commitments of their clients. It is almost unwritten law in Wall Street that "no brokerage house with really good collateral will be allowed to fail for lack of accommodation."

Some amount of brokers' loans are arranged on a time basis, in the market for time loans, consisting of collateral loans for 30 to 180 days. Brokers who assist in negotiating these loans receive a small commissionwhereas the brokers negotiating call loans at the exchange call money desk receive nothing. The advantage of lending time money to stock exchange brokers is that the bank can select its borrowers and the rates are somewhat above those for all loans, reflecting the time factor.

For 1947, Stock Exchange collateral loan renewals averaged 1.38%, compared with 1.16% for 1946 and 1% for 1945. The average rate on 90-day Stock Exchange time loans was increased from 1-1/4% to 1-1/2% beginning August 2, 1946. These rates compare with 1947 average rates of 1.03% for prime commercial paper, 4-6 months, and 0.87% average for prime 90 day bankers acceptances, and with 1947 average rate on new issues of U. S. Treasury 3-month bills of 0.604% and 0.88% for 9-12 month certificates of indebtedness.

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CALL PURCHASE

A contract for the purchase of commodity, commonly used in cotton trading, under which the price is fixed by the seller in the future. This fixing of the price is at the "call" of the seller, and is set within a certain number of points above or below the price of a specified future on the day of fixing the contract price. (See Call Sale.)

CALL REPORT

Statement of condition of a bank submitted in response to calls by the supervisory authorities: Comptroller of the Currency for national banks, Federal Reserve Banks for state member banks, Federal Deposit Insurance Corporation for insured non-member banks, and state banking authorities for state banks and trust companies. The call report is submitted on a specified form in accordance with instructions, in response to legal requirements, generally three or four times annually, and thus is usually called the "legal" statement, as contrasted with the "condensed" statement of condition voluntarily published by banks. Statistics on national banks based on their call reports are collected and published by the Comptroller of the Currency in his Abstract of Reports of Condition of National Banks, and similar statistics on all member banks, both national and state member banks, are collected and published by the Board of Governors of the Federal Reserve System in the Member Bank Call Report. Similar abstracts and statistics are collected and published by State banking departments and the Federal Deposit Insurance Corporation. (See Bank Statement, Comptroller's Call, Member Bank Call Report.)

CALL SALE

The reverse of the Call Purchase (q.v.). A Contract for the sale of a commodity, generally used in cotton trading, under which the price is to be fixed by the buyer in the future. This fixing of the price is at the "call" of the buyer, and is set within a certain number of points above or below the price of a specified future on the day of fixing the contract price.

CALL OF MORE

A London Stock Exchange term to denote an option which gives the holder the right to call for an additional amount of stock equal to the amount named in the contract at the same price.

It is "the premium paid for the rate of calling or putting stock at some future date at a stipulated price, is sometimes included in the price at which a transaction is done, for the same date, in firm stock; thus a 'giver' of option money will buy a certain amount of stock firm for delivery, say two months ahead, at a figure sufficiently over the current market price for that period to carry with it the option of calling a like amount at the same price. This transaction in options is known as buying stock 'Call of more'." (Higgins: The Put and Call.)

CALLABLE

A term applying to securities subject to the right of an obligor or issuer to prepay before maturity in the case of bonds and to retire at any time on specified notice in the case of preferred stock. A penalty usually attaches to such right in the form of a premium over par in the case of bonds, and a premium over liquidation preference in the case of preferred stock. (See Callable Bonds.)

CALLABLE BONDS

Bonds which may be called for redemption, i. e., retired before compulsory maturity, as a result of the option exercised by the debtor, recited in the face. Bonds are frequently issued subject to call, i. e., redemption in whole or in part on any interest date, upon proper notice. Because of annoyance to investors, the issuer exercising the right of redemption is usually forced to pay a premium upon redemption, i. e., some specified amount above par value. This is to compensate the investor for the disadvantage he is put to in keeping track of his investment and of seeking a new investment medium, perhaps on less favorable terms, and for loss of interest in case notice of redemption escapes the attention of the holder, since these bonds do not bear interest after the redemption date. Callable bonds are not likely to reach a market price above that at which they are subject to call, unless they enjoy a conversion privilege of converting into stock.

There are several reasons why a debtor organization may wish to retain the redemption privilege when issuing its bonds. It is possible that the issue may be refunded at a lower rate because of a relaxation in money rates, or for sinking fund purposes. The issuer may also desire to modify its scheme of financial organization, or to finance an expansion, and therefore to consolidate its mortgages.

As the result of the era of controlled low money rates inaugurated by the Roosevelt Administration, many corporations took advantage of the call feature in their high coupon bonds to call them and replace these issues in whole or in part by low coupon issues, thus creating substantial refunding savings. Yet such was the pressure of funds available for investment and the continued drift of money rates toward lower levels, that these low coupon issues immediately went to premiums, as the following table as of June, 1947 indicates for representative new issues:

Standard & Poor's Quality Rating of A1+:	Call Price	Current Price
Boston Edison 2-3/4s, 1970	107-1/2	105-1/2
Cleveland Elec.Illum. 3s, 1970	107-1/4	109-3/8
Commonwealth Edison 3s, 1977	107-1/4	109
Connecticut Lt.& Pwr. 3s, 1980	109-3/4	110
Dayton Power & Light 2-3/4s, 1975	105-7/8	104-1/2
Deere & Co. Deb. 2-3/4s, 1965	104	104-5/8

Standard & Poor's Quality Rating of A1+:(Continued)	Call Price	Current Price
Hackensack Water 1st 2-5/8s, 1976	109-3/8	101-3/4
Kansas City Pwr. & Lt. 2-3/4s, 1976	104.43	104-7/8
Pacific Tel. & Tel. 2-7/8s,1986	106-1/4	105-1/2
Philadelphia Elec. 2-3/4s, 1967	104	104-3/4
Philadelphia Elec. 2-3/4s, 1981	104.4	104-3/4
Phillips Petroleum Deb. 2-3/4s, 1964	103-1/2	104
Southern Bell Tel. 2-3/4s, 1985	107	103-1/2
Southwestern Bell Tel. 2-3/4s, 1985	106	103-3/8
Standard Oil (N.J.) 2-3/8s, 1971	101	99-3/4
Standard Oil of Cal. 2-3/4s, 1966	104	105-1/4
Terminal RR., St.Louis 2-7/8s, 1985	107-1/2	106
Texas Corp. 3s, 1965	105	107
Westinghouse Elec. 2-5/8s,1971	103-1/2	103

Callable bonds are also known as Optional Bonds and Redeemable Bonds. (See Optional Bonds.)

CALLED BONDS

Bonds which have been called for redemption (by lot or otherwise). (See Callable Bonds.)

CAMBISM

Another term for Cambistry (q.v.).

CAMBIST

A person skilled in the exchange of foreign moneys; one who is able, on the basis of current quotations, to determine the cheapest method of remitting to a foreign country; a dealer or expert in foreign exchange.

The term is also applied to a table or manual used in computing foreign exchange transactions, prepared by a cambist, in order to save time in computing each transaction separately. This manual exhibits the principal currencies of the world, their weight, fineness, and equivalent values. (See Cambistry.)

CAMBISTRY

The science of exchange of foreign currencies particularly with reference to determining the cheapest method of remitting to a foreign country. Cambistry involves a knowledge of the various countries of the world; weights, measures, and fineness of metals used as a basis of coinage in various countries; the methods of dealing in bullion; assaying operations; issuance of bills of exchange, international checks, and postal money orders; commercial parities; and computations in the arbitration of exchange.

(See Arbitration of Exchange, Foreign Exchange, Foreign Moneys.)

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CAMPAIGN

In "free" markets, prior to the securities Exchange Act of 1934, a type of "organized speculation" or "demonstration" in a security or group of securities, sometimes for the purpose of depressing values, but more frequently to raise values for the purpose of attracting public participation so that stocks can be distributed at the higher levels. A campaign usually implied more or less fictitious activity and fluctuations in a stock in order to draw speculative attention to it, together with the dissemination of news and rumors upon it, favorable or unfavorable, according to the purpose of those conducting the campaign.

Under the Securities Exchange Act of 1934, manipulation of security markets is prohibited as far as feasible, with "pegging" for stabilization of markets subject to regulations.

CANADIAN BANKERS' ASSOCIATION

An incorporated body with powers and duties prescribed in an amendment passed in 1900 to the Canadian Banking Act. It is the medium through which the banking opinion of Canada finds expression, and in addition, the Association has had active functions, some of which were specified in the Act. Among these active functions some of which have been curtailed since organization of central banking in Canada, have been supervision of the note issues of chartered banks, of central gold reserves and clearing houses, and of banks in receivership. Changes in interest on deposits, imposition of service charges on deposit accounts and other operating functions have also been uniformly set through the Association. It also takes an interest in the education of the younger staff of the banks and provides instruction and examinations for junior and senior bank officers. The "Canadian Banker" is also published.

CANADIAN BANKING SYSTEM

Commercial Banking: Commercial banking in Canada is conducted by ten banks, chartered under the Bank Act, which maintain a total of over 3,000 branches or sub-agencies throughout Canada and in foreign countries, mainly in Newfoundland, the West Indies, and Central and South America. It is this branch banking characteristic which features Canadian commercial banking. Since 1900, the number of chartered banks has been reduced by a few failures and a large number of amalgamations from 38 to present total of 10. However, there has been no bank failure since 1923, and holders of bank circulating notes have experienced no loss since 1881.

Canada, with its large territory and small population, has been particularly suitable for the operation of branch banking. The head offices of the banks themselves do not take or lend funds, all the banking business being done by the branches, and each branch being given considerable independence. However, for most efficient utilization of funds, reserves may be shifted from one branch to another to meet any currency needs or to meet demand for loans. In this way, many small villages enjoy the facilities of a branch bank which otherwise would be unable to support an independent bank.

Formerly, the chartered banks had the right and power to issue and reissue circulating notes, but this was cancelled on January 1, 1945, and the sole circulation privilege now is in the Bank of Canada, the central bank. The Bank of Canada regulates the statutory cash reserves of the chartered banks, which are required to maintain not less than 5% of their deposit liabilities, payable in Canadian dollars, in reserves with the Bank of Canada, which may consist of deposits or notes of the Bank of Canada.

It is estimated that about 80% of Canada's business

Statistics of Individual Chartered Banks as of Oct. 31, 1946, with Totals for Selected Years from 1900 (Source--"Canada 1947")

Bank and Year	Branches in Canada and Abroad[1]	Total Assets	Liabs. to Share-holders	Liabs. to the Public	Total Liabs.	Loans and Discounts	Total Deposit Liabs.[2]
Bank of Montreal	444	1,844	78	1,765	1,843	361	1,693
Bank of Nova Scotia	280	696	36	658	694	172	603
Bank of Toronto	166	354	18	335	353	83	326
Provincial Bank of Canada	131	145	5	140	145	30	139
Canadian Bank of Commerce	474	1,442	60	1,379	1,439	295	1,317
Royal Bank	623	2,060	55	2,000	2,055	431	1,867
Dominion Bank	121	340	16	323	339	99	306
Banque Canadienne Nationale	211	374	12	361	373	95	354
Imperial Bank of Canada	167	404	15	387	402	114	373
Barclay's Bank (Canada)	2	34	2	32	34	3	25
Totals, Oct. 1946	2,619	7,693	297	7,380	7,677	1,683	7,003
Totals, 1945	2,619	6,743	282	6,439	6,721	1,505	6,160
Totals, 1944	2,593	5,990	282	5,689	5,972	1,344	5,422
Totals, 1943	2,589	5,148	282	4,849	5,131	1,334	4,592
Totals, 1942	2,642	4,400	281	4,102	4,383	1,370	3,834
Totals, 1941	2,830	4,008	279	3,712	3,991	1,403	3,465
Totals, 1940	2,846	3,707	279	3,411	3,690	1,324	3,180
Totals, 1939	2,861	3,592	279	3,298	3,578	1,244	3,061
Totals, 1938	2,875	3,349	279	3,057	3,336	1,201	2,824
Totals, 1935	2,978	2,957	278	2,668	2,946	1,276	2,427
Totals, 1930	3,598	3,237	305	2,910	3,215	2,065	2,517
Totals, 1920	4,876	3,064	252	2,784	3,036	1,935	2,438
Totals, 1910	2,621[3]	1,211	179	1,019	1,198	870	910
Totals, 1900	641	460	98	356	454	279	305

Note.--Annual figures are averages from the respective monthly statements except in the case of the numbers of branches which are as at December 31.

[1] As at December 31 of previous year. Does not include sub-agencies which numbered 621 in 1945.

[2] Excluding inter-bank deposits.

[3] 1911.

transactions are financed by checks, rather than bank notes or coin, so that the chartered banks fill an active function in Canadian business. The banks conduct, in addition to commercial banking, a savings deposit business. Early in 1946, an agreement was made with the Government recognizing the link between savings deposits and holdings of market issues of Government securities. The banks agreed that their investments in Dominion Government direct and guaranteed issues (other than Treasury bills, deposit certificates and Treasury notes) would not average more than 90% of the amount of their Canadian personal savings deposits. The banks also agreed that their earnings on such bonds should not exceed the cost of operating their savings business by more than a moderate profit margin. This agreement, according to the 1947 Annual Report of the Bank of Canada, placed the chartered banks, in respect of their savings business, in approximately the same position as if they were separate savings institutions carrying 10% of their deposits in the form of cash and other non-earning assets.

The chartered banks are joint stock banks, privately owned and managed, but operating under uniform control and supervision. The banking system outdates the Canadian Confederation itself, formed in 1867, as the oldest chartered bank, for example, the Bank of Montreal, was established in 1817. Its charter followed closely that drawn for the first Bank of the United States by Alexander Hamilton, who had been influenced by his knowledge of the English and Scottish banking systems. The first bank charter in the Maritime Provinces, that of the Bank of New Brunswick, was by contrast influenced by the New England banking laws. When the Dominion of Canada was established in 1867, banks were authorized to continue their existing provincial charters until 1871, when the first Dominion Bank Act was passed and made bank charters subject to renewal every ten years. There are now just ten banks

UNITED STATES-CANADIAN BANK COMPARISON

United States	Canada
Type of Bank	
National banks, members of Federal Reserve System, and 48 separate state banking systems.	One type of charter, granted by the Dominion Government.
Number of Banks	
About 14,700.	Ten
Branches	
About 4,300 branches and offices, restricted at most to state-wide.	About 3,200 branches and agencies. May be located anywhere in Dominion, and in foreign countries.
Territory Covered	
Localized as to territory.	Diversified as to territory. May cover entire Dominion.
Control	
Divided into Federal Reserve System and 48 different State Systems.	Centralized. Dominion law applies to the 10 chartered banks and the same regulations apply over the entire Dominion.
Type of Business Conducted	
Commercial banking business and trust business closely associated. Security affiliates divorced in 1933.	Commercial business only. Loans made upon short term assets. Only commercial banks are allowed to use the work "bank." Investment houses and houses selling securities are entirely divorced from the banks themselves.
Control	
Local economy in banking provides for local business expansion in proportion to local resources only. This policy is alleged to stimulate community pride at the expense of financial strength.	Centralized control of banking policies at head office at each of the 10 banks. Tends to prevent over-expansion and speculation in rapidly growing cities having considerable financial strength and on the other hand develops new territories in Western Canada which would otherwise have been much slower in developing.
Directors	
Directors do not always "direct."	Directors influential in determining policies of bank Reports of attendance of directors is mailed to stockholders with annual report.
Failures 1920-1932	
About 10,000. Liabilities of failed banks 1920-1932 over $4,000,000,000.	One. Liabilities of failed bank, $18,500,000.
Capital Required	
National Banks, $50,000 in places of 6,000 or less, and up; some States have minimum requirements as low as $10,000.	$500,000 with $250,000 paid in.
Diversification of Loans	
Likely to be restricted by both locality and industry.	Diversified by industries and geography.

chartered under the Bank Act, and these together with two long-established savings banks, and the Bank of Canada with its subsidiary, Industrial Development Bank, are the only institutions in Canada legally entitled to the term "banks" or to use the term "banking" in connection with their business. Supervision of Canadian banks is exercised by the Minister of Finance, who may call for statements of condition at any time, and to whom monthly statements of assets and liabilities are submitted. Periodic bank examinations are not required, although provision is made for an annual audit by qualified auditors appointed by stockholders of the bank, who make the report for the stockholders. The auditors are selected from a group designated by the general managers of the banks and approved by the Minister of Finance.

Appended herewith is a brief comparison of banking in the United States and Canada, for quick reference. Also appended is tabulation of statistics of individual chartered banks.

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CANADIAN COMMODITY EXCHANGE

An exchange organized in Montreal on October 22, 1934, to deal in silver "spot" and future contracts, following the nationalization of silver in the United States. The Exchange operated until institution of the Foreign Exchange Control Board in accordance with the Exchange Fund Order in 1940. There has since been no free market in silver, all silver transactions being cleared through the Foreign Exchange Control Board at the official rates.

CANCELLATION

An annulment or rendering void or inoperative of financial instruments, e. g., bonds, coupons, stocks, and checks, upon their payment and retirement, or transfer. The term also applies to termination of open orders for the purchase or sale of securities.

For the purpose of protecting themselves against fraud and possible presentation of a bond which may have become lost and in the illegal possession of the holder, it is incumbent upon the issuers of bonds to exercise reasonable care in their redemption and that of the accompanying coupons. A customary procedure is to provide a blank book for each issue of bonds, one page each being devoted to a single bond, below which spaces are numbered to correspond with each of the originally attached coupons. When coupons have matured and been paid off, they are cancelled and pasted in the blank spaces, according to serial number. Likewise when the bond itself has matured and been redeemed it is pasted in the space provided for it. In this way it is possible for the issuer to furnish evidence that the entire obligation has been extinguished, and that no bonds or coupons are outstanding.

Cancellation of bonds and coupons is also sometimes accomplished by cremation. (See Cremation of Bonds.)

CANCELLED CHECKS

Checks which the drawee bank has paid and cancelled. Checks are cancelled by the drawee bank on the day they are paid and charged to the drawer's account. They are usually cancelled or "cut" by means of a perforating machine which punches the following words: "Paid Date..... Name and Clearing House number of paying bank." Cancelled checks are kept in the records of the bank until the end of the month when they usually are delivered to, or called for by the customer, together with the monthly statement.

When a check is paid, it becomes the property of the drawer, but the paying bank is entitled to retain it as a voucher until the statement of account has been submitted to and reconciled by the customer, and agreed to as correct.

Cancelled checks furnish the best evidence of the payment of money and should be preserved by the drawer as receipts, or vouchers. (See Statement Department, Voucher, Voucher-Check.)

CANDAREEN

A Chinese coin. (See Foreign Moneys - China.)

CANNED GOODS EXCHANGE

See Commercial Exchange of Philadelphia.

CAPACITY

One of the three elements of Credit (q.v.).

In weighing a credit risk it is important to satisfy oneself that the management is capable and competent. The test of capacity is called the business risk among credit analysts. The most important test for measuring the business risk is the detailed operating statement showing sales, expenses, and profits (or losses) over a period of years. The final criterion of business capacity, and one that can be reduced to a mathematical basis, is whether good profits on a fairly stable basis have been made over a sustained period. On a strictly scientific basis, therefore, the measurement of the business risk can best be determined by a study of the comparative profit and loss statements taken over a period of years. The particulars to be observed in judging capacity of a business are:

1. Pertaining to personnel and methods - Managerial ability, one-man business vs. group management, modernness of methods, knowledge of financial and credit principles, knowledge of markets and sales promotion principles, use of budget system, degree of co-operation of official personnel, relations with employees.

2. Pertaining to equipment - Location of business with reference to raw materials and markets, modernness of plant equipment, cost system installed and utilized, research department.

3. Pertaining to product - Stability of demand for products, reputation of products in the trade.

4. Pertaining to results - Stability of gross sales, stability of gross and net profits, per cent. of returns to gross sales, margin of profits over total expenses, per cent. of uncollectibles to net sales, per cent. of net profits to net sales, per cent. of net profits to capital invested.

(See Business Risk, Credit.)

CAPITAL

This term has four meanings:

(1) In the economic sense, it is equivalent to capital

goods, i.e., the store of produced goods (physical) quantity rather than money value) saved, or wealth represented by the surplus of production over consumption. In other words, it is a short expression for capital goods or capital value, especially that portion of wealth set aside for the furtherance of productive enterprise. "Capital is every product which is used or held for the purpose of acquiring wealth" (Ely, R.T.: Outline of Economics.)

Economists distinguish between production goods and consumption goods. The former are instruments of production, or intermediate wealth employed in the manufacture of consumable goods or services. Thus, buildings, factories, machinery, equipment, railroads, etc., represent production goods. Consumption goods, on the other hand, comprise goods destined for immediate use, e. g., food, clothing, stocks of merchandise on retailers' shelves, personal service, etc.

(2) In the accounting sense, capital is synonymous with net worth and is measured by the excess of assets over liabilities. This is true irrespective of the form of business organization. In a sole proprietorship, capital is represented by the account or accounts which indicate the accountability of the business to the owner; in a partnership by the sum of the partners' account; and in a corporation by the sum of the various capital stock accounts, surplus and undivided profits. (See Capital Stock.)

(3) In business, a distinction is made between working capital and fixed capital. Working Capital (q. v.) also known as liquid assets which in the ordinary course of business will be converted into cash, e. g., merchandise, accounts receivable, notes receivable, etc. Fixed capital, on the other hand, corresponds roughly to the economists' notice of production goods, and consists of assets which in the ordinary course of business, will not be converted into cash, but used for carrying on the business. It is "locked up" or "sunk" into fixed assets, e. g., land, buildings, machinery, equipment, etc.

(4) In credit analysis, the Property Risk (q. v.).

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CAPITAL ACCOUNT

The account which denotes the amount of the owner's investment in a business. It represents net worth. It is known as proprietorship account in the case of a sole proprietorship, as partners' accounts in the case of a partnership, and as capital stock in the case of a corporation. (See Capital, Capital and Revenues Expenditures, Capital Stock.)

CAPITAL AND REVENUE EXPENDITURES

The proper accounting treatment of expenditures as between capital expenditures and revenue expenditures is difficult in actual practice, and various theories in law and accounting have been evolved. The most commonly accepted theory is that capital expenditures are those which, whether paid out of the proceeds of sale of capital issues, or from earnings, permanently and substantially increase the property value and therefore earning power of the concern which incurs them. They represent improvements, additions, or betterments, and therefore may be considered as chargeable to asset or property accounts.

Revenue expenditures, on the other hand, are those incurred which bring in no property and no enhancement of property presently held.

CAPITAL AND SURPLUS

A term frequently used in the condensed statement of condition of a bank to indicate the bank's financial strength. The two accounts, capital and surplus, are combined because the surplus account of a bank corresponds to capital surplus, and like capital stock, is not available for the payment of dividends. The surplus account should be distinguished from Undivided Profits, which corresponds to the earned surplus account of industrial and mercantile corporations, and which is available for dividends.

The amount of combined capital and surplus is important because the limitation upon loans to one customer is based thereon, in the case of National banks, member banks of the Federal Reserve System (in so far as Federal Reserve Bank rediscount of such paper is concerned), and some of the non-member State banks. Under the banking laws of some states, e. g., New York, the combined capital and surplus for this purpose includes undivided profits. (See Capital Stock, Undivided Profits.)

CAPITAL ASSETS

Another Term for fixed, slow, or permanent assets. (See Fixed Assets.)

CAPITAL INVESTMENTS

Investments of funds in capital or fixed assets, or in non-marketable securities, as distinguished from funds invested in liquid, or short-term assets.

CAPITALISM

Or the capitalistic system, is that by which the means of production and distribution are managed and owned by private enterprise under open competition, free markets, freedom of contract (subject to legal restrictions), and with the profit motive operating as the incentive. Capital is represented by plants, factories, mills, mines, transportation and power systems, stores and shops - all the means by which goods and services are produced and distributed. It is a highly intricate system of organization calling for specialization, cooperation, and division of labor and occupation. Any efficient economic organization needs capital, and when capitalism is contrasted with socialism or communism, the question is not one of abandonment, but who shall own the means of production. Under socialism, the means of production would be owned, or at least largely controlled, by the State, whereas in communism the means of production would be collectivized, i.e., owned communally.

Capitalism, as known in the leading industrial nations in the past 150 years, has built up an improved industrial and business technology under private enterprise. Private Capitalism, against bureaucratic capitalism, lays claim to superiority for these reasons, mainly based on competition:

1. Provides a system of rewards and incentives which elicits the best capacities in each individual.
2. Competition of prices insures a "right" price, and a steady flow of goods at the rate the market will absorb them.
3. Provides incentives for invention, better methods, lower production costs and selling prices.
4. Tends to keep the most skilled and efficient managements in business, and to eliminate the unfit.

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CAPITAL ISSUES

Corporate or governmental obligations the proceeds of which have been invested in fixed or capital assets, or to add to the permanent working capital or available funds. Stocks, bonds, debentures are capital issues, as distinguished from notes and accounts payable, commercial paper outstanding, trade acceptances, payable, etc., which are current liabilities, and are in reduction of current assets. Capital issues are those that are sold to furnish the permanent or long-term funds needed permanently to carry on business or government undertakings. The amount of stocks and bonds that may be issued is limited by a corporation's charter and by-laws (See Bond, Capital Stock.)

CAPITAL LIABILITIES

The long term debts of a corporation representing the combined capital stock and bonded debt. Capital liabilities are practically equivalent to capitalization, but differ from fixed liabilities in that the latter include long term debts due to creditors and not to stockholders.

CAPITAL RATING

One of the ratings given by a mercantile agency in appraising the net worth of a business concern. It is intended to show the amount of capital invested in the business, although it is generally understood to indicate "the commercial value of the par value of the assets which the firm rated may be considered to have in its business, all things being taken into consideration." (See Credit Rating.)

CAPITAL STOCK

The stock of a corporation issued to its stockholders for money or property, or out of accumulated earnings. The entire capital stock of a corporation is divided into a number of equal parts of shares, usually with a specified par value, the exact amount authorized being fixed by the certificate of incorporation. A corporation is not obliged to issue all the stock authorized. Any amount of the authorized capital stock not issued is known as unissued stock. Issued and outstanding shares of stock are certificates of ownership held by the purchasing stockholders, representing their interest in the corporation, and capital stock is the aggregate of these shares.

The capital stock of a corporation represents its nominal value, as distinguished from its actual or property value. It represents the amount of the corporation's accountability to its stockholders, but uncollectible by them through legal procedure, as distinguished from the corporation's liability to outside creditors. It is share capital as distinguished from loan capital. (See Authorized Capital Stock, Common Stock, Preferred Stock, Full Paid Stock, Deferred Stock, Stock Certificate, Stockholder.)

CAPITAL TURNOVER

A credit term used especially among bank credit men to indicate the rapidity with which the capital (net worth) of a business is turned over, e. g., if the sales are $1,500,000 and the invested capital $1,000,000, the capital turnover is 1-1/2. It is a "vitality" index and each business has a capital turnover normal to itself. In general, the higher the turnover the healthier the condition which is disclosed. If comparative balance sheets show a falling ratio, an accumulation of idle capital is indicated. A rising ratio is favorable up to a certain point beyond which it indicates excessive borrowing, thereby making the Ratio of Debt to Net Worth (q. v.) unfavorable. (See Statement Analysis.)

CAPITALIZATION

The aggregate of the authorized par value of the stocks and bonds of a corporation, although in some jurisdictions capitalization is legally defined as the total value of the authorized capital stock. The amount of the capitalization may or may not be represented by an equivalent property value, although the latter often exceeds the capitalization. Surplus forms a part of the capital but is not represented in the capitalization.

The term capitalization is also sometimes applied to the rate-making base or value of property upon which a fair rate of return is calculated.

There are several bases of capitalization, viz.: (1) Cost of property less depreciation; (2) Cost of duplication; (3) cost of replacement on the basis of the present state of the technical arts; (4) capitalization of earning power; and (5) "prudent investment" theory.

The capitalization of a public utility corporation is usually regulated by the public service commission of the state in which it is located, if intrastate in nature, and by the Federal Power Commission, if operations are interstate.

CAPITALIZATION OF EARNING POWER

One of the bases for determining the proper capitalization or value of a business property. This method implies that a business property may be regarded as an income-producing unit in the same manner as for example, a bond or stock. Accordingly, the value of a business is equal to the present worth of an indeterminable series of probable incomes discounted at a rate of interest, currently earned for properties of the same class. Thus, a property which yields an average annual net income of $1,000 is worth $10,000 if discounted at 10 per cent. ($1,000 divided by .10); $12,500 if discounted at 8 per cent.; $16,666 2/3 if discounted as 6 per cent; or $20,000 if discounted at 5 per cent.

CAR LOADINGS

Railroads of the country report each week the number of cars of freight loaded on their lines and received from connecting railroads. The total is reported to the Association of American Railroads, which, in turn, compiles and releases the information publicly. Few gauges of business volume are more accurate, since the figures show the physical volume of goods moving from producers to consumers and from producers to producers. Unlike bank clearings or bank debits, they need no correction for changes in the price level. Representing deliveries on previous orders, they do not promptly report current business undertakings, but the lag is not more than from two weeks to a month.

Loadings are sub-classified into eight divisions, namely (1) coal, (2) coke, (3) grain and grain products,

(4) forest products, (5) live stock, (6) ore, (7) merchandise less than carload and (8) and miscellaneous. The latter two classifications comprised about 60 per cent. in 1946 of the total, and are barometric of the volume of goods passing into consumption. With this classification it is possible to gain some idea of changes in the larger divisions of industry.

Another classification is territorial, as follows: (1) New England (2) Central East, (3) Great Lakes, (4) Pocahontas, (5) Southern, (6) North West, (7) Central West, (8) South West. Changes in conditions in different sections of the country can thus be detected by comparison with preceding periods.

CAR TRUST

See Equipment Trust.

CAR TRUST BONDS

See Equipment Trust.

CAR TRUST CERTIFICATE

See Equipment Trust.

CARAT

This term has two meanings:

(1) As a unit of weight (quantitative measurement) it is equal to 3-1/6 grains troy, and is used to weigh precious stones, particularly diamonds.

(2) As a unit of quality (qualitative measurement) it is used among goldsmiths, jewelers and assayers, to denote the fineness or purity of gold or other metal, being the 24th part of any weight, e. g., pure or fine gold is 24 carat. A ring which by weight is half gold and half copper is 12 carats fine. The term "18 carat gold" means that the gold is 18/24 fine, i. e., 18 parts pure gold and 6 parts alloy.

CARE OF SECURITIES

There are two principal means to provide for the safekeeping of securities: (1) rental of a safe deposit vault or box; and (2) placing them under the custodianship of a bank or trust company. In the former arrangement, the securities remain under the depositor's exclusive supervision and control, while in the latter, they are in a bank or trust company's custody but always immediately available and subject to the orders of the owner. There has been no known instance of loss of securities deposited in a safe deposit vault where the depositor has a covering contract. Modern construction of safe deposit vaults offers too many obstacles for the operations of even the most scientific burglars. For all practical purposes these vaults are fire, water, burglar and mob proof. No such guarantees are provided by ordinary office safes, some of which even fail to provide for protection against fire.

In any event, wherever securities may be kept, the holder should make a detailed descriptive record to include number, denomination, name of issue, date of issue, due date, name of issuing organization and name of person to whom issued, if any. In case of loss, theft, or destruction by fire, or other cause, means are then available, whereby the securities may be identified, recovered, or replaced. In case securities are deposited in a safe deposit box, or held in custody by a bank or trust company, this list will be useful on many occasions and perhaps save trips to the bank. This will be true when the depositor wishes to know dividend or interest dates, or numbers in case bonds are called for previous redemption.

Registered bonds offer means of protection against loss since interest and principal are payable only to the person in whose name the bonds are registered on the books of the issuing organization. Notice of loss, however, should promptly be made in order to prevent assignment and transfer. There is no way of protecting the owner of coupon bonds in case of loss, although quick action and co-operation with the Treasury Department or Federal Reserve bank sometimes leads to the recovery of lost Government bonds. In case these bonds are lost the owner should immediately notify the Secretary of the Treasury at Washington and Federal Reserve bank of his district, giving a full description. The same notification should be sent in case of loss of registered bonds. Upon satisfactory proof of loss and the filing of an indemnity bond, a duplicate will be issued. Duplicates for coupon or registered bonds destroyed, wholly or in part, or so defaced as to impair their value to the owner will be issued upon fulfillment of the requirements of the Secretary of the Treasury, including the filing of an indemnity bond.

In case stocks are lost or stolen, notify the issuing corporation, and place a Stop Transfer Order (q. v.) with its transfer agent.

In case of loss of a municipal bond notify the treasurer of the municipality and the distributing investment banking house. If a corporation bond is lost notify the treasurer of the corporation. If a real estate mortgage is lost notify the attorneys who executed it. One purpose of Recording Acts is to preserve on public file the evidence of real estate conveyances, including mortgages.

(See Custodianships, Safe Deposit Company, Vault.)

CAREY ACT BONDS

Bonds issued by authority of the National Carey Act passed by Congress in 1894 (amended 1896) in order to encourage the reclamation of arid lands in the western states. Slowness in reclamation of arid areas under the Carey Act later led to the National Reclamation Act of 1902, by which the Federal Government stepped into the role of financier for irrigation projects through a reclamation fund built up from proceeds of sale of public land in the seventeen arid and semi-arid western states. Under the provisions of the Carey Act each of the eleven states affected had the right to select one million acres of land within its borders and to control the irrigation, and aid in settlement, cultivation and sale of such land, to bona fide settlers in tracts not exceeding 160 acres to any one person. Following its enactment, the states quickly passed bills enabling them to take advantage of the federal statute. Most of these bills authorized state officials to receive and pass upon requests of any person, company of persons, association, or incorporated company applying to construct irrigation systems, but with the requirement that the engineering plans should be approved by the state engineer and be subject to state inspection.

Bonds were thus issued by private enterprises but were secured by mortgages given by the settlers on the land, together with their water rights, and in addition such security as may exist in the irrigation system itself.

Carey Act bonds were always first liens upon land and water rights, and in many cases were secured by property having a value several times that of the issue of bonds against them. They were in no sense guaranteed by Federal or a state government, but were entitled to a somewhat better rating than other classes of

irrigation bonds. They partook of the characteristics of a mortgage, semi-municipal, and industrial bond combined. (See Irrigation Bonds.)

CARRIERS

A general term used to denote companies engaged in transportation, e g., railroad, express, steamship, street railway, subway, etc. It is particularly used in stock market terminology to designate railroads. (See Common Carrier.)

CARRY

This term has three meanings:

(1) To hold securities; to be "long" of stock.

(2) To supply funds to a customer, especially when it becomes necessary for a bank to renew the notes of its borrowers in order to tide them over a difficult period.

(3) When a broker furnishes funds to customers who trade by margin accounts represented in the difference between the purchase price of the securities (or commodities) and the customer's partial payment thereon, the broker is said to carry the securities which he holds as collateral for the customers' loans.

CARRY-OVER

This term has two meanings:

(1) A London Stock Exchange term to signify delay in settlement of a stock exchange contract from one settlement day to the next.

(2) A term used to apply to the stock of some staple commodity, e. g., wheat held in elevators, warehouses, or on farms over another year, i. e., beyond another harvest.

CARRYING BROKER

The term applied to the broker or commission house carrying a client's account.

CARRYING CHARGES

This term has two meanings:

First read Carry.

(1) The interest charged by brokers for money lent to customers in carrying securities on margin; the cost of borrowing money from a broker to carry securities purchased on margin account. Customarily, the broker under current low money rates will credit interest at the rate of 1/2 of 1% on funds left with the firm pending investment if and when such funds are invested through the broker; and interest is charged on debit balances at rates as low as can be obtainable from any source.

(2) The cost of carrying commodities held in a warehouse for speculation or otherwise, such as, charges for storage, insurance, haulage and loss of interest on the investment.

CARRYING-OVER DAY

A London Stock Exchange term meaning contango day, or postponed day of delivery.

(See Backwardation.)

CARTEL

An anglicised term for the German term kartel, which is similar, if not identical to the American industrial combination or trust. Before World War I, the cartel movement grew in Germany with great rapidity. Contrary to the situation in this country, the cartel was encouraged in Germany by favorable legislation. The purpose of encouraging the German cartel movement was to build up the German export trade. By means of developing large scale, cheap, and efficient production in finished manufactures, the cartels were often able to undersell foreign competitors.

While the cartel was a fairly well known economic development in Europe before World War I, its vigorous resumption in post-war years, coupled with the equally important tendency toward industrial mergers and consolidations, made it a factor of outstanding economic importance. The American is apt to view the European cartel from the standpoint of its possible effect on American trade. To the European, however, the cartel was first an attempt to reconstruct industry on the Continent, and only secondarily an effort to penetrate the foreign markets occupied by others.

The great weakness in European industry was a discrepancy between the productive capacity and consumption. On the whole, industries of Europe were well equipped for their operations, partly due to the stimulus of the war years. An over-taxed and impoverished population, however, did not offer an adequate market. The cartel was an outgrowth of mass production, and its object was to restrict competition. It could do this by three methods: (1) by allocating territories for market purposes; (2) by fixing prices; or (3) by actually restricting production. To be effective, an international cartel requires a very high degree of industrial organization within the countries represented. In Europe, therefore, there was a marked tendency toward growth of large monopolistic corporations. For the most part, the industries concerned involved production of raw materials or use of patents applied to raw materials (chemicals) - functions which lend themselves readily to close control under consolidated companies.

Most of the great corporations in Europe were those which were dominant in one of these two fields. For example, the Vereinigte Stahlwerke (United Steelworks) of Germany, the second largest steel company in the world and one which controlled 50 per cent. of the German output; I. G. Farbenindustrie, one of the largest corporations in the world, with a great range of products chiefly of a chemical nature; Courtaulds, Inc., of Great Britain in the rayon industry, and the Imperial Chemicals, Ltd.; Alumonum Francaise in France. The world aluminum industry was controlled almost entirely by one American company, one British company, one French company and one German state enterprise. These illustrations are cited merely to indicate that throughout the range of industries of this kind, there are one or two companies which constitute the controlling factor in their country.

With this internal organization as a basis, the cartel agreements between entire industries in different countries were facilitated. It is estimated that when World War II began, over 200 international cartels controlled over 30% of international trade, particularly in rubber, tin, steel, chemicals and quinine.

Most of these cartels were concerned with the production of a raw material such as steel, or a chemical product involving a patent, such as linoleum and rayon. Germany was a member of practically every one of these cartels while the United States was a member of various cartels, apparently chiefly motivated by the purpose of developing foreign trade.

The predominant position of Germany in the cartel movement was in keeping with that country's preeminence in industrial development on the Continent of Europe, and was related also to the trend toward indus-

trial amalgamation previously referred to. In no country in the world was industry so highly organized and so closely controlled as in Germany. France, Belgium and Switzerland followed Germany's lead, although lacking the same extensive industrial organization. Great Britain also participated in the cartel agreements of continental Europe.

The effect of the cartel movement in general throughout Europe served to facilitate a system of "managed" production and distribution, and it has been but a further step to inaugurate the trend towards nationalization of key industries now characteristic of Great Britain and continental countries. In occupied Germany, Great Britain announced that in August, 1946, it had seized through the British Control Commission the key German steel firms, Krupp, Stinnes, Vereinigte Stahlwerke (United Steelworks), and break-up of the I. G. Farbenindustrie combine also appeared to be policy of the American occupation authorities until early in 1948, further decartelization measures were ordered discontinued.

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CARTWHEEL

A colloquialism for the United States silver dollar.

CASH

This term has three meanings:

(1) As a noun, money; circulating medium; coins and paper money that pass freely as currency, i. e., from bearer to bearer without indorsement. Checks, matured coupons and due bills are frequently counted as cash because they are easily converted into money. Nothing should be regarded as cash, however, which does not constitute immediate purchasing power. (See Money.)

(2) As a verb, to convert a negotiable instrument, such as a check, money order, or matured coupon, into money; or vice versa, to give the holder money for such an instrument. (See Cash Items, For Cash.)

(3) A Chinese coin. (See Foreign Moneys - China.)

CASH ACCOUNT

An account in the ledger which summarizes the cash transactions of a business, the left or debit side representing receipts and the right or credit side, disbursements. The balance represents cash on hand. A cash account with a bank is really an account receivable, but is usually shown in a balance sheet as cash.

CASH ASSETS

Assets appearing in a financial statement represented by actual cash on hand (in a safe or petty cash drawer), and the sum of the bank deposits.

CASH BOOK

A cash journal; an account book in which cash transactions are chronologically recorded.

CASH BUYING

A term to indicate the purchase of securities or commodities outright, i. e., buying outright, or paying cash in full for immediate delivery.

CASH COMMODITY

A term analogous to "spot commodity", denoting a commodity which is available and ready for delivery, i. e., on the spot. (See Spot, Spot Price.)

CASH CREDIT

A credit established by a depositor who is permitted to borrow by creating an over-draft. This is a common practice in England and Scotland. "Permission to run an overdraft secured by good bondsmen, limited in amount and to be reduced to small proportions, if not entirely repaid, at certain times" (Phillips, C. E.: Bank Credit.)

CASH DISCOUNT

A reduction in price offered by a business selling goods on credit to encourage prompt payment. Cash discounts vary in the different trades, and according to the terms of credit offered. Almost without exception, however, cash discounts are offered where payment is made in advance of the time allowed by the terms of credit. In most trades the terms of credit are normally 30 days and bills are supposed to be paid within that period, but a 2 per cent. discount is allowed if paid in 10 days. In some trades a greater cash discount is available upon the payment of spot cash. Cash discounts for anticipation of payment in advance of the credit terms frequently range from 12 to 18 per cent. a year. In some lines of business the margin of net profit may be so slight that profits depend upon taking advantage of all cash discounts offered.

The keen business man takes advantage of cash discounts and it is one of the functions of commercial banks to furnish working capital for this purpose. The business, the statement of which does not show the practice of regularly discounting bills, sometimes has difficulty in obtaining loans because it shows itself not to be cognizant of all the commercial advantages open to it, and therefore not a good business risk.

CASH DIVIDEND

See Dividend.

CASH GRAIN

Grain purchased for cash in full for immediate delivery; same as spot grain. (See Spot.)

CASH ITEMS

Checks, drafts, notes, or acceptances deposited with a bank for immediate credit, but which are subject to cancellation of credit in case they are not subsequently paid. Items deposited, other than money, over the receiving teller's window are cash items. (See Collection Items.)

CASH LETTERS

See Letters.

CASH ON DELIVERY

A purchase made with the understanding that the goods will be paid for when delivered.

CASH RESERVE

All banks are required by law to keep cash reserves

against deposits. Member banks of the Federal Reserve System are required by the Federal Reserve Act to maintain a legal reserve with the Federal Reserve bank of their district which varies according to location of the member bank and nature of deposits. As of February 27, 1948, the reserve required to be maintained against net demand deposits by member banks in central reserve cities was increased from 20% to 22%; similar reserve requirement for reserve city banks was kept at 20% and that of "country" banks (those not in a reserve or central reserve city) was kept at 14%. Reserve requirement against time deposits was also kept uniform for all member banks at 6%. (See Federal Reserve System, Reserve.)

The Federal Reserve Act does not require that member banks shall maintain reserves of cash in their own vaults. Any cash kept in a member bank's vault does not count as its legal reserve, and consequently these banks keep on hand only sufficient cash to meet current counter, or "over the window" requirements. Since the reserve with the Federal Reserve bank earns no interest, the amount of cash in a member bank's vault is likely to be kept at the lowest figure consistent with safe and conservative banking policy. Vault cash is held down only to anticipated needs, which will vary with the day of the week, seasonally and according to location and type of depositors. It is not usually necessary to keep more than this amount, since additional sums can be easily obtained through rediscounting, or borrowing from the Federal Reserve bank.

Cash reserve requirements of state banks and trust companies, not members of the Federal Reserve System, vary according to the laws of the state of incorporation. The range is from 10 per cent. to 25 per cent. with a strong predominance for 15 per cent.

Most states permit state banks and trust companies to keep more than half of their reserve with depositories designated by the Superintendent of Banking having specified sizes (see Reserve for details of State reserve requirements).

CASH TRADE

A transaction in securities, grain, real estate, etc., in which cash in full is paid for immediate delivery, possession, and title. (See For Cash.)

CASHIER

A term commonly applied to a person who receives and disburses money for a business. In banking, an officer who is responsible for the custody of the bank's assets and whose signature is required on all official documents. While other higher officers of a bank may delegate their authority, or act as "dummies," a cashier never does so, even in the largest banks. His duties vary according to the size of the bank. Usually he is the chief administrative officer and has direct charge of the bank's operations, and corresponds to the general manager in a mercantile or industrial establishment. Among large banks the duties of the cashier are so numerous that Assistant Cashiers are appointed to administer separate assigned functions and have authority to sign instruments in the same manner as the cashier.

CASHIER'S ACCOUNT

See Cashier's Check.

CASHIER'S CHECK

A bank's own check; a check drawn upon a bank and signed by its cashier, or assistant cashier, being a direct obligation of the bank. Cashier's checks are issued to borrowers when loans are made in lieu of a deposit credit or actual cash, sold to customers for remittance purposes, and issued in payment of the bank's own obligations, money transfers, etc. When a cashier's check is issued it becomes a credit, and upon its return through the clearing house or otherwise, a debit to the cashier's account. Cancelled cashier's checks are preserved as vouchers in the bank's files.

CASUALTY INSURANCE

The classification applied to insurance other than life or fire and marine insurance, and including such lines as automobile liability, workmen's compensation and accident and health, the three largest lines for volume, and miscellaneous lines such as automobile property damage, liability other than automobile, automobile collision, fidelity, surety, plate glass, steam boiler, etc. (See Insurance.)

CATS AND DOGS

An expression used to denote highly speculative securities. It is particularly applied to non-income-bearing stocks of uncertain or no value; stocks acknowledged to be a gamble because the underlying properties are not yet developed, and which are worthless as bank collateral.

CATTLE GRADES

See Grades.

CATTLE LOAN COMPANY

A company organized for the purpose of lending its credit to cattlemen for the purchase, raising, and marketing of cattle or other live stock, and referred to in the Federal Reserve Act as livestock loan companies. They are sometimes separate companies, but in most instances are affiliated with, or owned or controlled by state or national banks, located at or near the large stock yards, or in producing centers. In many instances these institutions are connected with banks specializing in the live stock business, and use the same building and officers. As affiliates, these companies are excepted from the restrictions contained in Section 23-A of the Federal Reserve Act as to loans and investments to affiliates or collateral loans on their obligations, the ordinary restrictions on loans and investments being applicable.

The function of a cattle loan company is to relieve the commercial banks from the burden of carrying cattle paper, which under normal circumstances, amounts to millions of dollars. Very often these companies act as middlemen between cattlemen-borrowers and the ultimate investors, i. e., the banks in the large centers. Some classes of cattle paper are also eligible for rediscount and for market purchases by the Federal Reserve banks. (See Cattle Loans.)

CATTLE LOANS

Loans made for the purpose of financing the cattle industry, which includes the purchase, or breeding, feeding, grazing, fattening, and marketing of cattle. They may be divided in three classes, feeder, stocker, and dairy loans. Feeder loans are made on beef steers ready for the last stage of feeding prior to their sale as finished beef. These loans range from 3 to 6 months' maturity. Stocker loans are made on cows for breeding

purposes, and on young calves. They usually have a 6 months' maturity, subject to 3 or 4 renewals, and require about 50 per cent. margin. Dairy loans are made for the purchase of high grade cows and pure bred sires for the purpose of improving the dairy business. Their usual maturity is 6 months, subject to 4 or 5 renewals.

The procedure in making cattle loans is as follows: (1) application of the borrower; (2) sworn statement of the financial condition of the borrower; (3) inspection of borrower's cattle with reference to location, brands, number, approximate weight per head, etc.; (4) search of records to ascertain whether any liens against borrower's real or personal property exist; (5) execution of chattel mortgage in which the market value is usually at least 20% above the amount of the loan, and (6) execution of the note.

Under Section 5200 of the Revised Statutes, which contains limitations on loans by National banks (also applicable to state Member banks) to one person, obligations of any person in the form of negotiable instruments secured by shipping documents or instruments of title covering livestock or giving a lien on livestock, which are secured 115% by such collateral, are entitled to another 15% of capital and surplus in addition to the basic 10% of capital and surplus limitation. (See Cattle Loan Company.)

CEDULE

In Europe, where the warehouse receipt is issued in duplicate, the "receipt", also called the "cedule", copy, used in transfers or assignments, as compared with the "warrant" or "bulletin" copy, used as collateral for loans. In the United States, the warehouse receipt is not so issued in duplicate. (See Warehouse Receipt.)

CEILING PRICES

Maximum prices established by the Office of Price Administration under the Emergency Price Control Act (January, 1942) as amended, which authorized stabilization of prices and rents, and Executive Orders issued thereunder. Under the Act, purposes of this wartime legislation were defined as "to stabilize prices and to prevent speculative, unwarranted, and abnormal increases in prices and rents; to eliminate and prevent profiteering, hoarding, manipulation, speculation, and other disruptive practices resulting from abnormal market conditions or scarcities caused by or contributing to the national emergency; to assure that defense appropriations are not dissipated by excessive prices; to protect persons with relatively fixed and limited incomes, consumers, wage earners, investors, and persons dependent on life insurance, annuities, and pensions, from undue impairment of their standard of living; to prevent hardships to persons engaged in business and to the Federal, State and local governments, which would result from abnormal increases in prices; to assist in securing adequate production of commodities and facilities; to prevent a post emergency collapse of values;..."

The Price Administrator was authorized, after consultation with representative members of the industry so far as practicable, to promulgate regulations fixing prices of commodities which "in his judgment will be generally fair and equitable and will effectuate the purposes of this Act" when, in his judgment, their prices "have risen or threaten to rise to an extent or in a manner inconsistent with the purposes of this Act."

The Act also directed that "So far as practicable, in establishing any maximum price, the Administrator shall ascertain and give due consideration to the prices prevailing between October 1 and October 15, 1941, (or if, in the case of any commodity, there are no prevailing prices between such dates, or the prevailing prices between such dates are not generally representative because of abnormal or seasonal market conditions or other cause, then to the prices prevailing during the nearest two-week period in which, in the judgment of the Administrator, the prices for such commodity are generally representative)... and shall make adjustments for such relevant factors as he may determine and deem to be of general applicability, including ... Speculative fluctuations, general increases or decreases in costs of production, distribution and transportation, and general increases or decreases in profits earned by sellers of the commodity or commodities, during and subsequent to the year ended October 1, 1941."

Later, by the Amendatory Act of October 2, 1942, the President was directed to stabilize prices, wages and salaries "so far as practicable" on the basis of the levels which existed on September 15, 1942, except as otherwise provided in the Act. Accordingly, by Executive Order, the President directed "all departments and agencies of the Government" "to stabilize the cost of living in accordance with the Act of October 2, 1942."

By its Price Regulations, the OPA proceeded to administer price ceilings and regulations of all levels from producer to consumer. Constitutionality of the Emergency Price Control Act was upheld in Yakus v United States (1944), from which the above legislative outline is quoted, as a valid delegation of legislative power to control prices.

On November 9, 1946, by Presidential order, all controls on prices, wages and salaries, with the exception of ceilings on rents, sugar and rice, were discontinued, and as of early 1948, rents remain as the only vestige of wartime price control.

Ceiling prices are to be distinguished from daily trading limits, imposed upon regulated commodity exchanges by the Commodity Exchange Administration (see Commodity Exchange Act).

CENT

The coin of lowest denomination in the United States, being equivalent in value to one-hundredth of a dollar. Its composition is 45.6 grains of copper and 2.4 grains of alloy, or 95% copper and 5% alloy. During the 1946 fiscal year, the cent pieces coined were composed of 95% copper and 5% zinc. The bulk of cent coin circulation consists of the bronze cent (95% copper, 4% zinc and 1% tin). During the World War II years, the copper-zinc cent (copper 70% and zinc 30%) and the zinc-coated steel cent (steel with zinc coating on each side, 0.0005 inch) were temporarily coined as metal conservation measures. Formerly, the cent piece was legal tender up to 25¢ in any one payment, but the Thomas Amendment of 1933 and the Joint Resolution of Congress of June 5, 1933 expressly provided that all coins and currencies of the United States shall be legal tender for all debts, public and private, public charges, taxes, duties and dues. (See Token Money.)

CENTAVO

A name given to a coin in many countries including Argentina, Chile, Colombia, Guatemala, Honduras, Ecuador, Bolivia, Mexico, Peru, Nicaragua, Philippine

Islands, Portugal, Paraguay and Salvador. In all of these countries the centavo is the hundredth part of the standard coin, e. g., the hundredth part of a peso in Mexico and in the Philippine Islands. (See Foreign Moneys.)

CENTESIMO

The coin of lowest denomination in Italy, Panama and Uruguay, being equal to the hundredth part of the standard coin in each of these countries, e. g., one hundredth part of a lira in Italy. (See Foreign Moneys.)

CENTIME

The coin of lowest denomination in France, Belgium, Switzerland, Monaco, Haiti and Algeria, French Morocco and Tunis, being equal to the hundredth part of the standard coin of each of these countries, e. g., one hundredth part of the franc in France, Belgium. Switzerland and Monaco. (See Foreign Moneys.)

CENTIMO

The coin of lowest denomination in Spain, Venezuela and Costa Rica, being equal to the hundredth part of the standard coin of each of these countries, e. g., one hundredth part of the peseta in Spain. (See Foreign Moneys.)

CENTRAL BANK

A bankers' bank; a bank which holds the main body of bank reserves of a country, and which is the ultimate reservoir of credit. These banks are usually characterized by the following features: (1) keep the banking reserves of all or a majority of the commercial banks; (2) rediscount and loan against high-grade commercial paper for member banks; (3) perform numerous fiscal services for the Government; (4) given a monopoly of bank note issue; (5) control the gold reserve of the country; (6) assist in check collection; and (7) are subject to coordination of credit policy and other Governmental regulation.

However, a central bank is not absolutely restricted to dealings solely with banks. Business is frequently conducted directly with the public, particularly in the case of the Bank of France. The Federal Reserve banks may also now make direct loans to business.

Appended herewith is a tabulation of gold and foreign exchange reserve requirement of foreign central banks, as prepared by the Board of Governors of the Federal Reserve System.

While the central bank idea is best typified by the above examples, the Federal Reserve System in the United States exemplifies a slight variation of the principle, since in the latter, twelve regional banks are substituted for a single central bank. (See Federal Reserve System, Regional Bank.)

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CENTRAL BANK FOR CO-OPERATIVES

See Bank for Co-operatives.

CENTRAL FILE

A file around which the work of the New Business and Advertising Departments revolves, and in which complete detailed information concerning each of the bank's customers and prospects is recorded. The file cabinet is usually provided with 7 x 10 inch cards ruled and printed on both sides. One card is allotted to each customer or prospect.

The purpose of the central file is to reveal what services and departments each customer is utilizing and fails to utilize, what the average monthly deposits and loans are, what the commercial agency and credit department ratings are, and what advertising literature has been sent. Briefly, its intent is to disclose the possible sources of new business. If the cards are kept up to date, they become an almost indispensable adjunct to an aggressive new business policy.

(See New Business Department, Publicity Department.)

CENTRAL FILE CARD

See Central File.

CENTRAL RESERVE CITIES

According to the National Bank Act and reaffirmed by the Federal Reserve Act, New York and Chicago are central reserve cities. St. Louis was formerly a central reserve city, but was reclassified as a reserve city by the Federal Reserve Board, effective July 1, 1922. The Federal Reserve Board has power "to add to the number of cities classified as Reserve and Central Reserve Cities or to reclassify existing Reserve and Central Reserve Cities, or to terminate their designation as such." Member banks located in central reserve cities are required to carry higher reserves against net demand deposits than banks in reserve and undesignated cities. (See Reserve Cities, Reserve.)

CENTRAL RESERVE CITY BANKS

Member banks located in the Central Reserve Cities (q. v.).

CERTIFICATE

See Certificate of Analysis, Certificate of Deposit, Certificate of Incorporation, Certificate of Indebtedness, Certificate of Inspection, Certificate of Origin, Clearing House Loan Certificate, Gold Certificate, Hypothecation Certificate, Receiver's Certificate, Silver Certificate, Stock Certificate.

CERTIFICATE OF ACCOUNTS

Also known as audit certificate, the certificate issued by auditors or certified public accountants after examination of the accounts of a concern. The certification attests as to the correctness and vertification of the accounts in accordance with accepted accounting principles, and notes if necessary any departure from accepted principles.

The following is an example of a 1948 certificate of the accounts of a leading corporation by a leading firm of certified public accountants:

Continued on page 112.

Gold and Foreign Exchange Reserve Requirement of Foreign Central Banks

(Source -- Federal Reserve Bulletin for January, 1948)

Central bank of	Liabilities of central bank against which gold or foreign exchange reserves are required.	Minimum required reserves (Per cent)		Status of reserve requirements, valuation of reserves, and qualifying provisions
		In gold	In gold and/or foreign exchange	
Argentina	Notes and other demand liabilities.	20	25	In effect. Required reserves may consist of net gold and foreign exchange. Not more than one-tenth of required reserves may consist of inconvertible exchange. Method of valuing reserves is not specified in central bank legislation. Deposits held by member banks for account of Central Bank are not included as liabilities in computing Central Bank's reserves. If reserves fall below 33 per cent during specified periods, all profits of Bank are assigned to general surplus fund.
Australia		(1)	(1)	
Austria		(1)	(1)	
Belgium	Notes and other demand liabilities.	30	40	Suspended by Government in Exile on May 1, 1944: suspension confirmed by Regent in decree of January 24, 1945. (Inoperative throughout German occupation, and formally suspended on March 6, 1942 by Germans authorities.) Gold is valued at 49,318 Belgian francs per kilogram of fine gold (equivalent to 1,533.961 francs per troy ounce).
Bolivia	Notes in circulation and demand deposits in Issue Department.	.....	50	In effect. Required reserves may consist of gold and of deposits abroad freely convertible into gold or other currencies. Gold and deposits payable in gold are valued at parity (equivalent to 1,470 bolivianos per troy ounce of fine gold); other deposits in foreign currencies are converted at the Bank's official buying rate. Reserve requirement may be lowered to 25 per cent, depending upon variations in export value.
Canada		(1)	(1)	
Chile	Notes in excess of fiduciary issues, and deposits.	.....	50	Suspended since February 15, 1941. Reserves may consist of gold and net deposits payable in gold in New York or London. Gold is valued at 0.0286668 grams of fine gold per peso (equivalent to 1,085 pesos per troy ounce). Cashiers' checks and dividends declared but not yet paid are included with deposits against which reserves were required. Before suspension, reserves were permitted to fall below stated minimum, subject to a tax.
China	Notes	[2]60		Suspended de facto. Silver may be included in required reserves. Method of valuing reserves is not specified in central bank legislation.
Colombia	Notes	30		In effect. Method of valuing reserves is not specified in central bank legislation. By Law No. 128 of 1941, reserve requirement against notes was
	Demand deposits	12 1/2		

Gold and Foreign Exchange Reserve Requirement of Foreign Central Banks

(Source -- Federal Reserve Bulletin for January, 1948)

Central bank of	Liabilities of central bank against which gold ot foreign exchange reserves are required.	Minimum required reserves (Per cent) In gold	Minimum required reserves (Per cent) In gold and/or foreign exchange	Status of reserve requirements, valuation of reserves, and qualifying provisions
Colombia --Continued				provisionally reduced from 50 to 30 per cent and penalty for reserve deficits was suspended.
Costa Rica		(1)	(1)	
Czechoslovakia	Notes and other demand liabilities.	25	.....	Suspended de facto. Prior to German occupation, gold was valued at 31.21 koruny per milligram (equivalent to 996,587 koruny per troy ounce); however, present method of valuation is not known. Before suspension, reserves were permitted to fall below stated minimum, subject to payment of a tax.
Denmark	Notes	20	25	Suspended for consecutive one-year periods since 1940. Gold held abroad is limited to 5 per cent of note issue. Foreign exchange held as reserve must be net and in form of non-interest-bearing demand deposits in central banks. Gold bullion and foreign coin are valued according to provisions of the Coinage Act of 1873 (2,480 kroner per kilo of fine gold, which is equivalent to 77,137 kroner per troy ounce, although present parity equivalency is 167,965 kroner per troy ounce). Foreign exchange may not be valued above the market rate. Before suspension, reserves were permitted to fall below stated minimum with Government consent.
Dominican Republic	Notes and other demand liabilities.	12 1/2	2 50	In effect. Central Bank was created October 1947. Dollar exchange may temporarily be substituted for minimum gold requirement. In addition to gold and foreign exchange, reserves may include foreign government securities and country's net credit balance with International Monetary Fund. Net reserves are computed by deducting foreign exchange obligations of Bank on a graduated basis, depending upon their maturity. Gold is valued at 35.00 Dominican pesos per troy ounce of fine gold. Foreign exchange is valued at cost. If reserves fall below 50 per cent, Superintendent of Banks must impose a tax of one-half per cent per month on deficit.
Ecuador	Notes and other demand liabilities.	28	35	In effect. Required reserves consist of net gold and freely convertible foreign exchange. Gold and foreign exchange are valued at cost or market price, whichever is lower.
Egypt	Notes	50	.....	Suspended de facto since 1916. Government has suspended "provisionally" requirement that entire reserve be in gold and at present permits inclusion of British

Gold and Foreign Exchange Reserve Requirement of Foreign Central Banks

(Source -- Federal Reserve Bulletin for January, 1948)

Central bank of	Liabilities of central bank against which gold or foreign exchange reserves are required.	Minimum required reserves (Per cent)		Status of reserve requirements, valuation of reserves, and qualifying provisions
		In gold	In gold and/or foreign exchange	
Egypt (Continued				Treasury bills. Gold included in reserve must be held at home. Method of valuing reserves is not specified in central bank legislation.
El Salvador	Notes and other demand liabilities.	.....	25	In effect. Reserves consist of unencumbered gold and net foreign exchange. Gold is valued at 87.50 colones per troy ounce of fine gold. Exchange is valued at cost. If reserves fall below 30 per cent, Bank's discount and loan rates must be raised by 1/2 per cent for each percentile by which reserves fall below above ratio.
Ethiopia	Notes		[2]75	In effect. In addition to gold and foreign exchange, reserves may include silver and also prime securities readily convertible into foreign exchange. Method of valuing reserves is not specified in central bank legislation.
Finland		(1)	(1)	
France	Notes and other demand liabilities.	35	.....	Suspended since September 1, 1939. Gold is valued at 134,027.9 francs per kilogram of fine gold (equivalent to 4,168.734 francs per troy ounce).
Greece	Notes and other demand liabilities, minus holdings of national silver coin up to 150,000,000 drachmas.	.....	40	Suspended since April 25, 1932. Required reserves may consist of net gold and foreign exchange, and certain gold bonds of the Greek Government up to 650 million drachmas. Method of valuing reserves is not specified in central bank legislation. Reserve requirements may be suspended subject to payment of a tax and increase of Bank's discount rate.
Guatemala		(1)	(1)	
Haiti	Notes		33 1/3	In effect. Note issue is limited to three times Bank's paid-up capital. U. S. dollars are only foreign exchange which may be included in minimum required reserves. Method of valuing reserves is not specified in central bank legislation.
Hungary	Notes and other demand liabilities except government deposits.	.....	25	In effect. Any "stable" foreign currency may be included in required reserves. Gold is valued at 13,210 florins per kilogram of fine gold (equivalent to 410.877 florins per troy ounce). Reserves may fall below stated minimum, subject to payment of a tax.
Iceland	Notes	28 1/8	37 1/2	Suspended. Gold reserve may not fall below 2 million kronur and must be held in Central Bank. Present rate for valuing gold reserve is

Gold and Foreign Exchange Reserve Requirement of Foreign Central Banks

(Source -- Federal Reserve Bulletin for January, 1948)

Central bank of	Liabilities of central bank against which gold or foreign exchange reserves are required.	Minimum required reserves (Per cent)		Status of reserve requirements, valuation of reserves, and qualifying provisions
		In gold	In gold and/or foreign exchange	
Iceland -Continued				6,352.19 kronur per kilogram (equivalent to 197.575 kronur per troy ounce; although present parity equivalency is 227.110 kronur per troy ounce).
India (and Pakistan).....	Notes		40	In effect for both India and Pakistan at present Gold must represent not less than 400 million rupees of required reserves, and at least 85 per cent of gold reserve must be held at home Foreign exchange is limited to deposits at Bank of England, sterling bills, or British Government securities maturing within five years. Gold is valued at one rupee per 8.47512 grains of fine gold (equivalent to 56.636 rupees per troy ounce; although parity equivalency is 115.798 rupees per troy ounce). Securities are valued at current market rate. Reserves may, with Government consent, fall below stated minimum, subject to payment of a tax. (The Reserve Bank of India is still bank of issue for Pakistan. After March 31, 1948, notes issued in Pakistan by the Bank will be the liability of Government of Pakistan, rather than of Bank. After September 30, 1948, Pakistan will assume entire responsibility for its note issue, although Reserve Bank of India notes not yet converted will continue to be accepted by Government of Pakistan until March 31, 1949.)
Ireland (Erie)..	Notes		[2]100	In effect. Required reserves may consist of gold, British currency, sterling deposits in the United Kingdom and British Government securities. Securities are valued at market rate; method of valuing other reserves is not specified in central bank legislation.
Italy	Notes and other demand liabilities.	.....	40	Suspended since July 22, 1935. Only foreign exchange freely convertible into gold may be included in reserves. Gold is still valued at prewar parity of 21,381.227 lire per kilogram of fine gold (equivalent to 665.031 lire per troy ounce; however, present parity of lire has not yet been established).
Japan		(1)	(1)	
Mexico	Notes and other demand liabilities.	.....	[2]25	In effect. Net gold and foreign exchange and net credit balance with International Monetary Fund must represent at least 80 per cent of required reserves; remainder may be silver. Gold and foreign exchange are valued at market price, unless the Administrative Council of the Bank decides to use cost price if this is lower. Silver is computed at Council-fixed in-

Gold and Foreign Exchange Reserve Requirement of Foreign Central Banks

(Source -- Federal Reserve Bulletin for January, 1948)

Central bank of	Liabilities of central bank against which gold or foreign exchange reserves are required.	Minimum required reserves (Per cent) In gold	Minimum required reserves (Per cent) In gold and/or foreign exchange	Status of reserve requirements, valuation of reserves, and qualifying provisions
Mexico -Continued				ventory value providing this does not exceed international market value.
Morocco	Notes	11 1/9	33 1/3	Suspended de facto since 1941. Dollar balances in New York may be included in "gold reserve"; only assets in French francs are included in foreign exchange reserve. Gold is valued at 134,027.9 francs per kilogram of fine gold (equivalent to 4,168.734 francs per troy ounce).
Netherlands ...	Notes and other demand liabilities.	[2]40	.....	Suspended since October 1, 1945. (Suspended from March 1942 by German authorities.) In addition to gold, certain silver coin may be included in reserves. Eighty per cent of required reserve must be held at home. Gold is valued at 2.970 guilders per kilogram of fine gold (equivalent to 92.377 guilders per troy ounce; however, gold parity of guilder as communicated to International Monetary Fund is 92.8498 guilders per troy ounce).
Netherlands Indies	Notes and other demand liabilities.	[2]40	.....	In effect. In addition to gold, silver may be included in reserves. Gold is valued at 2,121 guilders per kilogram of fine gold (equivalent to 65.970 florins per troy ounce). Governor General may determine what part of required reserves must be held at home.
New Zealand ..	Notes and other demand liabilities.	.....	25	In effect. Reserves consist of net gold and foreign exchange. Gold may not legally be valued above market rate; however, it is currently undervalued, since reserve consists primarily of coin carried at "face value," i. e., one gold sovereign valued at one New Zealand pound. (One sovereign contains 7.3224 grams of fine gold, equivalent to 4.24772 sovereigns per troy ounce.) Government may modify or suspend reserve requirements.
Nicaragua.....		(1)	(1)	
Norway	Notes in excess of 425,000,000	100	.....	Suspended since 1940. Reserves must be held at home. Gold is valued at 4,960 kroner per kilogram of fine gold (equivalent to 154.273 kroner per troy ounce; however, gold parity of krone as communicated to International Monetary Fund is 173.697 kroner per troy ounce). Notes in excess of gold reserve plus authorized fiduciary issue are subject to tax. At present, note issue exceeds authorized issue plus gold, and the Government has waived payment of tax: because of this waiver, requirement is considered here to have been suspended.

Gold and Foreign Exchange Reserve Requirement of Foreign Central Banks

(Source -- Federal Reserve Bulletin for January 1948)

Central bank of	Liabilities of central bank against which gold or foreign exchange reserves are required.	Minimum required reserves (Per cent) In gold	Minimum required reserves (Per cent) In gold and/or foreign exchange	Status of reserve requirements, valuation of reserves, and qualifying provisions
Norway -Continued				Authorized fiduciary issue may be increased by action of the King and Storting.
Paraguay		(1)	(1)	
Peru	Notes and other demand liabilities.	.....	[2] 50	In effect. National silver currency may be included up to one-fifth of reserve. Bankers' acceptances may be also be included. Foreign exchange liabilities to banks abroad are treated as deposits in computing reserve requirements. Gold and foreign exchange are valued at cost price, with exception of 16,338.71115 kilograms of gold which are valued at 2,373.8 soles per kilogram (equivalent to 525,301.701 troy ounces valued at 73.833 soles per troy ounce. Gold parity of sol as communicated to International Monetary Fund is 227.500 soles per troy ounce). Bankers' acceptances are carried in reserve at no more than 90 per cent of their face value. If reserves fall below 50 per cent, a progressive tax is levied on average daily deficit; this tax reaches 12 per cent per annum when reserves fall to 35 per cent or lower, with an additional 1 1/2 per cent per annum on each percentile below 35 per cent.
Poland		(1)	(1)	
Portugal	Notes and other demand liabilities.	25	50	In effect. Reserves consist of unencumbered gold and net foreign exchange. Gold is valued at cost.
Siam		(1)	(1)	
South Africa	Notes and other demand liabilities.	30	.....	In effect. One-half of reserve must be held at home. Reserve is valued at 172 South African shillings per troy ounce of fine gold (however, gold parity as communicated to International Monetary Fund is 173 shillings and 8.367 pence per troy ounce). Government may suspend reserve requirements.
Spain		(1)	(1)	
Sweden	Notes up to 150,000,000 kronor.	100	.....	In effect. Gold reserve may not fall below 150 million kroner. Right of note issue is determined by adding to gold reserves the smaller of following amounts: 1. gold reserve plus 2.5 billion kronor, or 2. secondary note cover (consisting of net foreign exchange plus specified domestic assets). Gold is valued at 2,480 kronor per fine kilo-
	Notes in excess of 150,000,000 kronor.	(1)	(1)	

Gold and Foreign Exchange Reserve Requirement of Foreign Central Banks

(Source -- Federal Reserve Bulletin for January, 1948)

Central bank of	Liabilities of central bank against which gold or foreign exchange reserves are required.	Minimum required reserves (Per cent) In gold	Minimum required reserves (Per cent) In gold and/or foreign exchange	Status of reserve requirements, valuation of reserves, and qualifying provisions
Sweden -Continued				gram (equivalent to 77.137 kronor per troy ounce); for purpose of computing right of note issue, however, gold is valued at market price.
Switzerland ...	Notes	40	.....	In effect. Since 1940, reserve may include gold held abroad. Gold is valued at 4,869.8 francs per kilogram of fine gold (equivalent to 151.468 francs per troy ounce).
Turkey		(1)	(1)	
United Kingdom	Notes in excess of fiduciary issue of £ 1,400,000,000.	100	.....	In effect. Fiduciary issue (now authorized in amount of 1,400 million pound sterling) represents all but a negligible fraction of total note issue of the United Kingdom. Increases or decreases in fiduciary issue may be authorized by Treasury at request of Bank of England. In addition, Bank may issue notes up to amount representing gold coin and bullion held in issue Department; notes so backed are now outstanding to value of approximately 250,000 pounds sterling. Gold is valued at 172 shillings and 3 pence per troy ounce of fine gold (however, gold parity as communicated to International Monetary Fund is 173 shillings and 8.367 pence per troy ounce).
Uruguay	Notes	[2]100	.....	In effect. Note issue is limited to sum of paid-up capital of Bank, gold stocks, silver holdings up to 12 million pesos, and non-Government rediscount paper. Gold is valued at one peso per 0.585018 grams of fine gold (equivalent to 56.5854 pesos per troy ounce).
Venezuela	Notes and other demand liabilities.	45	50	In effect. Gold in vaults may not represent less than 50 per cent of reserves; exchange holdings not more than 10 per cent. Balance may be in gold held abroad. Gold is valued at U. S. market price converted at 3.061 bolivares per dollar (equivalent to 107.135 bolivares per troy ounce of fine gold; however, gold parity as communicated to International Monetary Fund is 117.250 bolivares per troy ounce). Method of valuing foreign exchange is not specified in central bank legislation.

1 No minimum reserve requirement in gold or foreign exchange.

2 May legally include other specified assets.

NOTE.-The data presented in this table are based on the most recent information available at the time of preparation; in some instances, however, the data may incorrectly state the present character and status of reserve requirements. Countries for which available information is known to be inadequate have not been included.

"To the Board of Directors and Stockholders:

We have examined the statement of financial condition of X Company and subsidiary companies at December 31, 1947 and the related statement of operations for the year. Our examination was made in accordance with generally accepted auditing standards and included such tests of the accounting records and other supporting evidence and such other procedures as we considered necessary in the circumstances.

Consistent with the policy followed by the company for years prior to 1940, which policy was discontinued in that year due to war conditions, the financial statements of subsidiaries operating in certain foreign countries have again been consolidated with our approval with those of the parent company for the year 1947.

In our opinion, the accompanying financial statements present fairly the position of the consolidated companies at December 31, 1947 and the results of their operations for the year in conformity with generally accepted accounting principles applied on a basis consistent (except as noted in the preceding paragraph) with that of the preceding year.

Certified Public Accountants."

CERTIFICATE OF ANALYSIS

One of the documents which an importer may require a foreign seller to accompany the bill of exchange drawn against a shipment as prescribed by the terms of the relative letter of credit. It is intended to protect the importer by a certificate that the merchandise ordered from a foreign seller conforms in all respects to specifications. This is especially important in the purchase of chemicals, drugs, precious metals, jewels or other merchandise, where the value, quantity, quality, fineness, or chemical constituency must meet exacting requirements.

A certificate of analysis is usually certified by an expert, such as a chemist or assayer, although it may be certified by the shipper. It usually contains a statement as to the quantity, quality, fineness, or other exact details of the shipment, and is sometimes sworn to before a notary public.

CERTIFICATE OF DEPOSIT

A receipt for the deposit of funds in a bank of which there are two classes, demand and time. Demand certificates of deposit are payable on demand, and time certificates of deposit are payable on a specified date, or so many days after date, upon proper indorsement. These time certificates are similar to savings deposits, but have a definite maturity, and are evidenced by a certificate instead of a passbook entry. Time certificates of deposit may bear interest, and are, therefore, a convenient means of investing temporarily idle funds, which otherwise would be unemployed. Certificates of deposit are usually negotiable, and when properly indorsed, may serve as security for a loan. Banks are required to keep reserves against demand and time certificates of deposit corresponding to reserve for demand and time deposits, respectively.

As defined by Regulation "D" (revised effective January 1, 1936) of the Board of Governors of the Federal Reserve System, a time certificate of deposit means a deposit evidenced by a negotiable or non-negotiable instrument which provides on its face that the amount of such deposit is payable to bearer or to any specified person or to his order: (1) on a certain date, specified in the instrument, not less than 30 days after the date of the deposit, or (2) at the expiration of a certain specified time not less than 30 days after the date of the instrument, or (3) upon notice in writing which is actually required to be given not less than 30 days before the date of repayment, and (4) in all cases, only upon presentation and surrender of the instrument. A deposit with respect to which the bank merely reserves the right to require notice of not less than 30 days before any withdrawal is made is not a "time certificate of deposit" within the meaning of the above definition.

The following is a typical form of Certificate of Deposit:

No .... Bank
New York .....19....
.....has deposited in this Bank
.....Dollars
payable to the order of .....
on the return of this certificate properly indorsed.

$..... ....
Teller Cashier.

CERTIFICATE OF INCORPORATION

The charter or franchise which the original incorporators of a company receive from the Secretary of State of the state of incorporation, legally empowering it to act as a corporation. (See Capital Stock.)

A certificate of incorporation for each type of bank or trust company must be applied for from the proper authority. Application for a National bank charter is made to the Comptroller of the Currency. Organizing state banks and trust companies apply to the proper state authority known under different titles, e. g., Superintendent of Banks (New York),Commissioner of Banking (Massachusetts), Auditor (Illinois). A typical certificate of incorporation for all types of banking institutions contains the following information; (1) name of bank, (2) location, (3) capital and number of shares, (4) name, address, financial worth, and number of shares of each stockholder, and (5) that the certificate is made in order to take advantage of either the National or state banking laws. The certificate is executed in duplicate; one copy for the Comptroller of the Currency (or state banking department), and the other for the bank. (See Articles of Association, Bank Organization.)

CERTIFICATE OF INDEBTEDNESS

A short term note, corporate or civil, representing floating indebtedness. A corporate certificate of indebtedness, is merely an unsecured promissory note, the holder having a general creditor's recourse against the general assets. The United States Treasury Certificates of Indebtedness are short-term civil notes or debentures, issued for the purpose of keeping the Treasury supplied with funds in anticipation of tax collections. The short title for these notes is Treasury Certificates.

CERTIFICATE OF INSPECTION

This certificate, or combined certificate of weight and inspection, is a document which an importer may require the foreign seller to accompany the bill of exchange drawn against the shipment in accordance with the terms of the relative letter of credit. It is prepared

by a trade association or concern authorized to make inspection and tests, and gives a description of the goods shipped by packages, boxes, barrels, weights, contents, markings, etc., but without prices. This instrument is frequently required in the shipment of heavy and bulky materials and differs from a certificate of analysis in that the latter usually applies to goods of high value and small bulk.

CERTIFICATE OF ORIGIN

A certificate sometimes required by an importer to insure that merchandise has originated in a country in which it was intended to be purchased, and is not being relayed through another country. An importer sometimes desires to protect himself against purchasing goods of a belligerent country, which may masquerade as coming from another. A certificate of origin contains practically the same information as a seller's invoice, gross and net weight stated, but prices omitted.

In peace times the chief purpose of this certificate is to protect the most favored nation clause in the customs tariff.

CERTIFICATE OF PROTEST

See Notarial Protest Certificate.

CERTIFICATE OF STOCK

See Stock Certificate.

CERTIFICATE OF WEIGHT

See Certificate of Inspection.

CERTIFICATED STOCKS

Those amounts of a commodity which are stored in warehouses approved by a commodity exchange, and which are certified as being deliverable on futures contracts. (See Futures.)

CERTIFICATION DEPARTMENT

The department of a bank which certifies checks. Among small banks checks are certified at the paying teller's window, but larger banks maintain a separate window or windows, usually adjacent to the paying teller's window, whenever the volume of certification business is sufficiently large to warrant a separation of functions. The certification of checks is a part of the paying teller's functions, because certifying a check is equivalent to paying it. (See Certified Checks.)

CERTIFICATIONS

See Certified Check.

CERTIFIED CHECK

A check which certifies that the signature of the drawer is genuine and that the depositor has sufficient funds on deposit for its payment. The amount certified is then set aside for the express purpose of paying the check and payment cannot be refused because of insufficient funds. When a bank certifies a check, it is absolutely bound to pay it. It becomes an obligation of the bank instead of being an order on the bank.

When a check is presented at the window for certification, the drawer's account in the ledger is first inspected to see that sufficient funds are on deposit to cover the amount which is immediately deducted from the drawer's credit balance before the check is certified. Certification consists of stamping or writing across the face of the check the word, "Certified" or "Accepted," together with the date, the bank's name, and signature of the officer authorized to make certification. The negotiable instruments law states that "where a check is certified by the bank on which it is drawn, the certification is equivalent to an acceptance." (Sec. 187, Uniform Negotiable Instruments Law; Sec 323, New York Negotiable Instruments Law.)

Since a certified check becomes an obligation of the bank, when a check is certified the drawer's account is reduced (charged) and "Certified Checks" account (in the general ledger) is increased (credited). When certified checks are returned through the clearing house or other channels, the account, "Certified Checks" is reduced (charged). Thus the balance of this account represents the total certified checks outstanding.

Although a bank is not obliged by law to certify checks for its customers, among the banks in the larger cities, especially in New York, certification business forms a very important service, especially for customers who deal in securities. Certified checks are also extensively used in those types of business where it is important to receive the equivalent of cash, without at the same time using cash, such as in brokerage and security transactions, payments of loans, and real estate transfers.

A check may be certified at the instance of either the holder or drawer. Certification at the instance of the holder releases the drawer and all indorsers from further liability (Sec. 188, Uniform Negotiable Instruments Law; Sec. 324, New York Negotiable Instruments Law.) They are out of the transaction entirely and the holder has recourse only against the bank. Should the bank fail, the holder of such a certified check has no cause of action against the drawer. Where a bank certifies a check at the instance of the drawer, however, the latter is not released from liability. Should the bank upon which it is drawn fail before the check is presented for payment, the holder still has recourse against the drawer.

CERTIFIED PUBLIC ACCOUNTANT

An accountant to whom a state has given a certificate to the effect that he has met its requirements as to age, education, experience, and technical qualifications, as shown by the fact that he has passed the prescribed examination. The holder of such a certificate is permitted to use the designation, "Certified Public Accountant," or the letters "C. P. A.," as an abbreviation, within the state of issue. The public practice of accounting is not limited by law to certified public accountants.

There is a diversity among the various states in examination requirements. The most stringent qualifications are required by New York, the first state to issue certified public accountant certificates, Pennsylvania, Illinois, and Massachusetts.

CESTUI QUE TRUST

The beneficiary of a trust, or the person in whose favor a trust operates. The cestui que trust holds the equitable title to an estate, while the trustee holds the legal title. (See Trusts.)

CHAIN BANKING

As defined by the Board of Governors of the Federal Reserve System, "chain banking" indicates a type of multiple office banking in which the operations or policies of at least three independently incorporated banks

are controlled by one or more individuals. This control may be accomplished through stock ownership, common directors, or in any other manner permitted by law. Generally speaking, chain systems are built around a key bank that is considerably larger than the other banks in the chain. (See Branch Banking, Group Banking.)

CHAIN STORE ORGANIZATIONS

Development of chain stores in the United States was a sequence rather than a direct accompaniment of mass production methods. By furnishing many retail outlets, served by central warehouses, all under one general control, chain store organizations as a form of mass merchandising is the inevitable answer to mass production. While the movement began in the nineties, the F. W. Woolworth 5 & 10 cent chain being the oldest of the important systems, a rapid expansion began in the decade 1921-1930; so rapid, in fact, that by 1929 competition among various groups effected a retardation of sales growth and profit margins.

In principle, chain stores offer an ideal plan of distribution of standardized non-perishable merchandise, the demand for which is constantly recurring, and in which the style factor is unimportant. Chains are particularly adapted to the following lines: five-and-tens, groceries, apparel, candy, gasoline stations, department (variety merchandise), drugs, shoes, restaurants, sporting goods, radio and music, photograph studios and tobacco. By eliminating middlemen, credit customers, advertising, deliveries (not always), elevator service and expensive overhead charges, the aim is to place merchandise in the hands of the consumer at a minimum of increase between manufacturing cost and selling price. Its advantage over independent retail merchandising lies chiefly through ability to buy at lower costs and in achieving a more rapid turnover of inventories.

Chain store growth has been chiefly due to an increase in the number of units rather than in sales per store; also because spread of chains has been from the cities to the smaller country towns. Total retail sales of chain stores and mail order houses in 1946 were $20,971 million, or 22% of all retail sales. The largest volume of chain store and mail order business is conducted by the food group (35% of total chain store and mail order house volume), followed by 28% by the general merchandise group, and 12% by the apparel group. The 1946 total of $20,971 million compares with $12,434 million in 1941, $6,618 million in 1933, and $10,412 million in 1929.

A report issued by the Federal Trade Commission in December, 1934, showed that nearly 20 per cent. of each dollar spent in retail stores by the consumer went to chain stores, with a wide variation in the proportion of retail sales of chain stores in different states of the Union, ranging from as low as one dollar in fourteen in Mississippi, to one dollar in four of total retail sales in the District of Columbia.

More than half of the chains reporting to the commission operate from two to five stores each. This group operates less than 5 per cent. of all the chain stores. However, chains with 1,000 stores or more comprise less than 10 per cent. of the total number of chains, but account for approximately one-half of the total number of chain stores and about 40 per cent. of the total volume of chain store sales. Largest among the groups are the Great Atlantic & Pacific Tea Co., the Kroger Grocery & Bakery Co., and the Safeway Stores, Inc., which operated in 1930 nearly 25,000 retail grocery stores. Their total sales were almost $1,600,000,000. During that year, the Great Atlantic & Pacific Tea Co. alone operated 15,788 stores, with total sales of $1,065,000,000.

Naturally the growth of chains has been largely at the expense of the independents. The independent retail merchant naturally has watched this development with some concern. Mr. Edward A. Filene, the head of one of the largest department stores in the country, has gone as far as to predict that chain stores will drive the individual merchant out of business and that chain department stores will be the next step in this procedure. In production, industry has witnessed the passing of home handicraft in favor of the small factory; and the consolidation of the small factory into the large industrial organization. It may be that merchandising will follow the same line of progress, but it would still have a long way to go, as evidenced by the following ratios of chain store and mail order sales to total retail sales: 1946, 22%; 1941, 22%; 1933, 27%; and 1929, 21%.

Such a transformation would, of course, be gradual. It will depend chiefly upon economy. The margin of profit has been declining. Low production costs are essential in industry, and here the expense of distribution and marketing is an increasingly important factor. If chain stores can sell more cheaply, they will probably outlive the personal and special service with which the independent store largely attracts its patrons.

The Chamber of Commerce has estimated that the costs of doing business for chain stores are about the same as for the independent units. Here there is no particular advantage for the chain system. But in buying the chain store has a decided advantage, both because it buys directly from the producer and because it buys in large quantities. The independent store usual ly buys from a wholesaler, which adds to its cost.

Standardized operations have made it possible to centralize chain store control. A trained staff, that in numbers would formerly have been needed for a single large store, can successfully control the operation of fifty or more chain units. Detailed accounting systems keep the executives informed as to the progress or lack of progress of the individual stores. Perpetual inventories keep them in close touch with changes in public demand.

The replacing of many executives by a few, the centralizing of purchasing power, and the high degree of specialization attained, provide the chain unit with expert management at a low cost. By a strictly cash and carry policy, collection risks, the cost of credit departments, and the heavy cost of delivery systems are all eliminated. All of these elements combined tend to reduce overhead and make possible attractive prices. It is these elements that often make it possible for a chain store to sell merchandise, at a profit, at prices that virtually defy competition. They all aid in bringing about the desired result, viz: the placing of popular goods in the hands of the consumer at the lowest possible price.

In the earlier days chain store sales were made largely to those who sought cheap merchandise. But the public has come to realize that the variety chain unit, through the size and efficiency of its organization, now offers goods of high quality at prices which mean a real saving. This condition is building an ever-increasing volume of repeat business for the chain store. The

chain store using modern, advanced methods, now serves all classes of patrons. The thrifty purchaser, no matter of what financial status, will turn to the store which assures the best values. As in the case of the better class patron, the manufacturer at first turned with hesitancy to the chain store as an outlet for his products. Nowadays the best of a manufacturer's products are as available to the chain store as they are to his own jobbers, and frequently the chain store is quoted the better price. In any of the larger chain stores it is possible to purchase innumerable trade-marked articles of the leading manufacturers of the country.

In no line of merchandising is efficient management more important than in chain store operation. Upon the judgment and experience of the central executive staff depends the success of every store. The progress of the various organizations is the best indication of the character of their management. The elements of good management which contribute to their progress are fourfold: (1) purchases have to be so handled as to assure the organization a quick turnover and its customers good quality at attractive prices; (2) store locations have to be selected carefully; (3) a system of attractive display and successful selling has to be constantly improved to secure a maximum turnover; and (4) soundness of financial policy is essential to the maintenance of good credit, steady expansion and increased earnings.

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CHAMBER OF COMMERCE

A "merchants' forum"; a title sometimes adopted by an organization formed to promote industrial and commercial interests of a city or state. The Chamber of Commerce of the State of New York, the oldest and most important organization of its kind in the world, was formed in 1768. "Its special function is to promote and protect the interests of the commerce of the city and State; and its membership, while including bankers and brokers, is composed largely of merchants and manufacturers and officers of industrial and railroad corporations. But so closely is commerce bound up with the money and security markets by ties of mutual interests, the big merchants being directors in banks and corporations and the bankers having, in many cases, an influential voice in the direction of the leading industrial and mercantile companies, that it is not easy to draw the line separating commerce from finance" (S. S. Pratt: Work of Wall Street).

CHANCELLOR OF THE EXCHEQUER

See Exchequer.

'CHANGE

An abbreviation for stock exchange.

CHARACTER

One of the elements of a credit risk and usually regarded as the most important. It is the most difficult element to appraise because it is varied and often elusive and untangible. It is a personal equation and represents the Moral Risk (q. v.). Some of the factors investigated in appraising character or the moral risk are as follows: (1) Reputation or standing for business honesty, (2) attitude toward obligations - promptness in paying debts, (3) personality and standing in social community, (4) record in antecedent business connections, (5) reputation of immediate business associates, (6) gambling and speculation tendencies, (7) social and political ambitions, (8) observance of accepted code of business ethics, such as welching on contracts in adverse markets, engaging in unfair competition, truthfulness in advertising, circulation of false rumors or statements, taking advantage of uninformed, (9) bankruptcy record, (10) fire record, (11) police record, and (12) civil court record. (See Credit.)

CHARGE OFF

See Write Off.

CHARGE TICKET

A bank bookkeeping form or posting medium on which the complete details of a transaction leading to a debit entry in a ledger account are described.

CHARGES

A term to denote the sum of expenses involved in the execution of an order, or in the shipment of goods, and includes such items as commission, interest, insurance, cable charges, freight, haulage, warehousing, etc. (See Carrying Charges.)

CHARTERED ACCOUNTANT

An English title corresponding roughly to Certified Public Accountant in the United States. A chartered accountant holds a certificate from the Institute of Chartered Accountants which states that he has passed the examination given by that body and is qualified to practice public accounting. (See Auditing, Certified Public Accountant.)

CHARTER-PARTY

A written agreement by which the owners of a vessel or their agents place it at the disposal of a merchant (shipper), the charterer, for the carriage of a full cargo of merchandise. A charter-party may hire the services of the vessel and its crew for a single voyage or a number of voyages, or for a definite time.

CHARTIST

A stock market trader or student who interprets action and predicts future action of prices, usually over the immediate future, from the graphic record of price and volume movements. Although chart patterns are often criticized as a guide to trading, because they record and do not motivate market fluctuation, to the extent that traders do base their trading on chart studies, a market following is thereby created to influence market action.

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CHATTEL

A legal term to signify any tangible movable article of personal property as distinguished from fixed or real property. Chattels include movable goods of all kinds capable of transfer by delivery, e. g., portable machinery, furniture, live stock, merchandise, etc., or tangible personal property, as contrasted with choses in action (q. v.), which are intangible or representative forms of personalty. Sometimes the distinction between real property and chattels is difficult to make. Uncut forests are real property, while cord wood and growing and harvested crops are chattels.

CHATTEL MORTGAGE

A mortgage with chattels instead of real property given as security. Movable goods such as railroad equipment, portable machinery, furniture, live stock, grain, etc., are the usual chattels pledged in a chattel mortgage. Since it denotes that other credit resources have been exhausted, chattel mortgages are very often the sign of weakness in a credit risk.

CHEAP MONEY

An expression used to denote money procured at low interest rates; same as Easy Money (q. v.).

CHECK

As defined by the Negotiable Instruments Law (Sec. 185 of Uniform Negotiable Instruments Law; Sec. 321 of New York Negotiable Instruments Law), and by the British Bills of Exchange Act, a check is: "A bill of exchange drawn on a bank, payable on demand." Commentators usually treat checks under the general classification of bills of exchange, but checks differ from bills of exchange also in that they purport to be drawn against a deposit, and are always payable on demand.

As defined by the Federal Reserve Board of Governors (note to Regulation J, revised effective January 4, 1936), a check is "a draft or order upon a bank or banking house, purporting to be drawn upon a deposit of funds, for the payment at all events of a certain sum of money to the order of a certain person therein named, or to him or his order, or to bearer, and payable on demand"

Other definitions of a check are: (1) a written order drawn by a depositor upon his bank to pay a sum of money to a designated party; (2) an order on a bank (drawee) by a depositor (drawer, maker or payer) to pay a certain sum of money to a third party (Payee); (3) an order upon a bank or banker for the payment of money to a stated party out of funds credited to the acaount of the drawer. While a check from a legal point of view is an order calling for the payment of money, in actual practice it is rather an order for transferring bank credit used as a substitute for money from one account to another.

The essential elements of a check are: (1) The words of negotiability--"order" or "bearer" --express or implied. The phrase "Pay to the order of" imparts negotiability to the check and makes it an unconditional promise to pay upon demand. The single word "Pay"if used makes such a check not negotiable, i. e., payable only to the person named as the payee; (2) name of payee--person in whose fa vor the check is drawn. Checks are sometimes made out payable to Self, Currency; Bearer or Cash, which makes them payable to bearer; (3) amount payable in figures; (4) amount payable in written words; (5) name and location of the drawee bank; (6) signature of drawer or maker. In the case of some corporations the signature and counter signatures of designated officers are necessary. The signature is the final touch without which the check is valueless; (7) indorsement. The check should be indorsed as drawn, either in blank or by a special or other indorsement.

The non-essential but convenient elements of a check are: (1) location (name of city in which maker or drawer is located); (2) date of drawing the check; (3) number of the check; (4) transit number, indicating the name and location of the drawee bank according to the universal numerical transit system.

In cashing checks, the paying-teller observes the following points to insure against irregularities, informalities, or discrepancies which, if unnoticed, might involve the drawee bank in a loss; identification of presenting party; date; filling; alterations; signature (authority to sign and forgery); stop payment; financial responsibility; whether a home debit or drawn on another bank; indorsement.

Checks should not be dated ahead (post dated), otherwise they are in effect, time bills of exchange. Checks should be presented for payment "within a reasonable time after issue or the drawer will be discharged from liability thereon to the extent of the loss caused by the delay." (Uniform Negotiable Instruments Law, Sec. 186; New York Negotiable Instruments Law, Sec. 322.) Banks usually refuse to honor checks more than six months old. These are known as stale checks (q. v.), since when checks are not presented within a reasonable time after they are drawn there arises a presumption of irregularity. The date is not an essential element of a check, and an undated check is valid.

The amount written in words should agree with the amount written in figures and when there is a discrepancy between the two the amount denoted by the words is the sum payable.

A bank is usually responsible to its customer for paying raised or altered checks. A number of mechanical devices have been invented to prevent the fraudulent alteration of checks. (See Check Protecting Devices.)

A bank is not required to make a partial payment on a check whenever the drawer has insufficient funds to his credit to make payment in full. Checks made payable to Cash, Currency, or Self, legally require no indorsement when presented by the drawer, but as a matter of practice, paying tellers request indorsement as a type of receipt. In case the drawer himself does not present the check so drawn, the indorsement of the presentor, the drawer's representative, should be requested by the paying teller.

Checks may be classified according to method of collection into five groups: (1) checks drawn on the bank in which they are deposited for credit or cashed over the paying teller's window, known as, "own checks," "self checks," or "home debits"; (2) checks drawn on banks in the same city and which will be paid through the clearing house, known as "clearing house checks"; (3) checks drawn on banks, corporations, and individuals in the same city which are not members of the clearing house and which must be presented for payment either through the city collection department of the clearing house, or directly by messengers; (4) checks drawn on banks located at various out-of-town points which must be collected through the Federal Reserve Clearing System, or through correspondents or other collecting

agents, known as out-of-town checks, transit checks, or foreign checks, and (5) checks drawn on, or issued by a bank located in a foreign country. (See Alteration, Cashier's Check, Certified Check, Check Book, Checking Account, Credit Instruments, Crossed Check, Date, Filling, Forged Instruments, Forgery, Indorsements, Negotiable Instruments Law, Signature, Traveler's Check, Voucher-Check.)

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CHECK BOOK

A book containing blank checks furnished by banks to depositors who have checking accounts from which funds on deposit may be withdrawn. Check books are usually available in several different styles, from which the depositor may select the most convenient for his purposes. These styles vary from those suitable for carrying in the pocket to desk check books with three or more checks to a single sheet. Some check books are issued with stubs to enable the depositor to keep account of his transactions, i. e., deposits and withdrawals, to determine the balance, and to reconcile the balance as shown by his check book with the monthly statement as submitted by the bank. The stubs of the check book, if they contain a record of all deposits and payments by check constitute, in effect, a duplicate cash book.

In providing blank checks, as a matter of service to its large accounts which draw a large volume of checks, banks usually print the customer's name and business thereon. Such check books and loose blank checks should be safe-guarded by depositors to prevent dishonest persons from securing blank checks and forging signatures to them.

CHECK DESK

A name sometimes given to the bookkeeping and statement departments of a bank, so called because checks received through the paying and receiving teller's window and through the clearing house are posted to the appropriate accounts in the customers' ledgers and statements of account.

CHECK PROTECTING DEVICES

Mechanical devices designed to prevent check raising and alteration of the payee's name. Several types of machines now on the market have succeeded in minimizing the fraudulent alteration of checks. One type mechanically bruises the portion of the check into which the words and figures are injected in indelibile ink into the fibre of the paper. The paper is also bruised over the payee's name to prevent erasure and insertion of a wrongful name. Another type cuts the words and figures into the check by means of small perforations. Another method of protection is to indicate on the margin of the check, or just above the signature, by imprinting the words, "Not over $....." Postal money orders are protected on the left hand margin by a figure which represents the maximum amount payable. These devices are simple and inexpensive methods of guarding against losses arising through the raising of checks and banks should educate business houses in their use. Checks are also protected by the use of various kinds of so-called "safety" paper designed to expose fraudulent attempts at alteration, whether by acid, knife, or erasure. Such paper is provided with ingrained fine watermark lines and by special surfacing which is sensitive to all types of alterations.

CHECK RATE (CHEQUE RATE)

The basic rate in foreign exchange transactions from which all other rates are computed. Foreign exchange rates are quoted for cables, checks and time bills of 30, 60, 90 day and other maturities. The check rate is the rate quoted for checks as distinguished from the others. It is less than the cable rate, but more than the rate for time bills, for the reasons explained under the subject Cable Rate (q. v.). It is also known as the demand rate. (See Foreign Exchange, Gold Points, Long Rate, Short Rate.)

CHECKING ACCOUNT

A bank account against which checks may be drawn against credit balances. A checking account is to be distinguished from a savings account in which deposits may be withdrawn only upon presentation of the passbook in which deposit and withdrawal entries are made. From the bank's stand-point, checking accounts represent demand deposits, because subject to check and, therefore, to immediate withdrawal. Savings accounts represent time deposits which are not subject to check and for which notice of intention of withdrawal from 30 to 60 days may be required. Checking accounts do not draw interest, since under the Banking Act of 1933, demand deposits do not draw interest.

The advantages of a checking account are: (1) removes risk of losing money and making wrong change, (2) prevents possibility of paying same bill twice (since cancelled check is an absolute proof of payment), (3) prevents possible loss through robbery, (4) provides instantaneous check of financial position, (5) permits an analysis of receipts and expenditures and thereby budgetary control, (6) aids in determining income-tax liability, (7) prepares for establishing more important banking relationships, e. g., borrowing capacity; and (8) wins prestige in business relationships.

CHECKING COMMERCIAL PAPER

First read Commercial Paper.

Among banks in the larger cities a considerable amount of commercial paper is bought for investment. Since at least one half of commercial paper is one-name paper its strength depends upon the financial responsibility and assets of the maker as disclosed by the fifancial statement. For this reason the note broker selling commercial paper is required to furnish a current statement of his client's business. The credit department of a bank in considering the purchase of commercial paper must conduct an investigation, i. e., "check" the paper.

An investigation leading to a recommendation of purchase must show (1) a favorable condition as disclosed by the analysis of a recent statement; (2) favorable reports from other banks which have had experience with the name in question, (3) favorable reports from the trade, preferably several creditors and debtors and a competitor; (4) favorable mercantile agency reports. (See Commercial Paper, Note Brokers, Statement Analysis.)

CHEQUE

Another spelling for Check (q. v.), but principally

used in connection with travelers' cheques.

CHERVONETZ

A post-revolutionary Russian coin of the Soviet regime, equal to ten gold rubles. The Russian unit is the ruble, with a nominal value of 19¢. (See Foreign Moneys.)

CHICAGO BOARD OF TRADE

The most important grain exchange in the United States, incorporated under a special act of the Illinois Legislature in 1859, but existing as a voluntary association since 1848. The objects of the Board of Trade as set forth in its rules are: (1) to maintain a commercial exchange; (2) to promote uniformity in the customs and usages of merchants; (3) to inculcate principles of justice and equity in trade; (4) to facilitate the speedy adjustment of business disputes; (5) to acquire and disseminate valuable commercial and economic information; (6) to secure to its members the benefits of cooperation in the furtherance of their legitimate pursuits.

The Board of Trade as a price barometer enables the market to act as a price stabilizer. A free futures market is the best automatic brake ever invented, for it puts on the brake against every unwarranted bulge and every unwarranted drop in price. This is the reason that the world's greatest grain futures market, the Chicago Board of Trade, handles important buying and selling orders from all the grain centers of the world. Even Winnipeg, the world's greatest cash wheat market, normally must place a large share of its grain futures contracts on the Chicago market, because Chicago is a wide market. Being a wide market it normally absorbs a large volume of trades without violent price disturbances. A free grain market, therefore, represents a true consensus of informed market opinion on world grain values. In other words, a free grain market is the world's wheat price barometer, and therefore is in a true sense a price stabilizer. Chicago handles the bulk of trading in grain futures in the United States; and also handles more grain futures than foreign grain exchanges. But before Chicago could have a futures market there had to be two other things: ample storage facilities subject to Board of Trade rules; and thoroughly dependable inspection, grading and standardization of grain.

The Board of Trade does no business itself, trading being restricted to the membership, which is not limited. Non-members must do business through a member, for which privilege the non-member pays a commission of $15 to buy or sell one contract unit in wheat. Management of the Board of Trade is vested in a board of directors which includes the president and two vice-presidents. The charter provides for the adoption of rules which may be enforced by the board of directors. The rules, by-laws and regulations have become elaborate, and are designed to control methods of trading, administration and membership discipline. Administration is partly conducted by committees, two of which, the Committee on Arbitration and Committee of Appeals, are provided for in the original charter and are elected by the membership.

Both cash ("spot") and futures trading are conducted. The Chicago Board of Trade is designated as a futures market by the Secretary of Agriculture under the Commodity Exchange Act. Futures trading is conducted in the "pits" or rings on the trading floor, for each of the principal commodities traded in. Because of the noise during trading, a system of trading by signs has been ingeniously evolved. Cash or spot trading takes place at long rows of tables lining the entire north wall of the trading floor. Every trade is cleared through the Board of Trade Clearing Corporation. Pit reporters, stationed in the "pulpit" of the pit, note down every point change in prices, which fluctuation is transmitted to a central office and from there retransmitted to quotation tickers all over the country. The "broad tape" ticker also broadcasts general market information.

Trades are in regular contract units of 5,000 bushels, or in lesser units, called "job lots", of 1,000 bushels for all grains except 2,000 bushel job lot for oats. Commissions are proportionately higher on job lots than on regular contracts. Commissions charged to non-members are: Barley, oats, rye and wheat, $15 per regular contract to buy or sell; lard, $20; and cotton, graduated scale depending on price ($8.75 when price is 30.01¢ to 35¢ per lb.). Trading at present is conducted in barley, corn, cotton, lard, oats, soy beans and wheat (rye trading was suspended in 1946). Under Commodity Exchange Administration regulations, price fluctuations are limited to daily trading limits above and below previous day's close. (See Futures, Hedging, Pit, Speculation.)

CHICAGO MERCANTILE EXCHANGE

A commodity exchange, located at 110 North Franklin Street, Chicago, Illinois, designed for trading in futures of butter, eggs and potatoes. Thus, facilities are offered for hedging in these commodities by interested merchants. Organization, by-laws and rules are similar to those of the Chicago Board of Trade.

The Chicago Mercantile Exchange is designated under the Commodity Exchange Act by the Secretary of Agriculture as a futures market for butter, eggs and potatoes. Futures market in onions is also conducted.

Butter Futures.--Storage butter contract unit is one carlot of 300 tubs (19,200 lbs.), the minimum fluctuation being 5/100¢ per lb. or $9.60 per contract. Non-member commission to buy or sell one contract is $50. Daily trading limit is 3¢ per lb. above or below previous close. Basis grade is 90 score or higher, of one creamery make, no churning under 90 score. Butter under 88 score is not deliverable. Trading in standard fresh butter contract (butter which has not remained in cold storage more than 29 days) is also transacted.

Eggs Futures.--Contracts are of two types, the Refrigerator Egg Contract and the Fresh Egg contract. Contract unit is one carlot (600 cases or 18,000 dozen). Minimum fluctuation is 5/100¢ per dozen, or $9 per contract. Commission rate for non-members is $45 per contract to buy or sell. Daily trading limit is 2¢ above or below previous close. Eggs sold on February, 1948 and subsequent contracts must meet the requirements of the tentative U. S. specifications and weight classes for wholesale grades of shell eggs established by the U. S. Department of Agriculture, Production and Marketing Administration, on September 19, 1947.

Potatoes Futures.--Contract unit is 450 bags, or 45,000 lbs. Minimum fluctuation per regular contract is 1¢ per 100 lbs., or $4.50 per contract. Daily trading limit is 25¢ per 100 lbs. above or below previous close, or 50¢ per 100 lbs. maximum range. Commission to non-members to buy or sell one contract is $15.

Onion Futures.--Contract unit is 40,000 lbs. in 50-lb. sacks, on which minimum fluctuation is 1¢ per sack, or

$8 per contract unit. There are no daily trading limits. Commission to non-members to buy or sell one contract is $20.

CHIEF CLERK

A name given to an executive position created in some banks, the function of which is to administer clerical routine. The chief clerk is a bank office manager and is responsible for seeing that the work of the bank, not directly in charge of department heads, is smoothly and promptly performed, that all operations move on schedule, and that proper supplies and equipment are furnished. Many of the operations of a bank, such as clearing, collections, mail, statements, etc., must be handled with great promptness and it is the chief clerk's duty to see that all engagements are met. In some banks he also acts as personnel officer, and is in charge of employment, transfer, and training of employees.

CHOSE-IN-ACTION

A law term which denotes a claim or right to personal property not in one's possession, as distinguished from property actually in one's possession, known as chose-in-possession. A claim arising out of a breach and which can be collected only by an action at law, e. g., an open account which the debtor refuses to pay.

CHRISTMAS CLUB

A savings bank account established for the specific purpose of arranging for systematic savings in advance of Christmas for Christmas expenditures. Usually these accounts are established early in the year for release before Christmas. Each depositor must assent to the by-laws of the Club.

CINCINNATI STOCK EXCHANGE

Like other exchanges, this exchange has as its object: (1) to maintain high standards of commercial honor and integrity among members, (2) to promote and inculcate just and equitable principles of trade and business, and (3) to furnish rooms and other facilities for the convenient transaction of business.

The Cincinnati Stock Exchange is a registered securities exchange under the Securities Exchange Act of 1934. For the fiscal year ended June 30, 1946, total market value of securities traded in on the Exchange was $12,397,000, consisting of $12,325,000 market value in stocks, on 386,000- share volume, and $72,000 in rights and warrants. Thus, it is one of the smaller registered exchanges. A total of 85 issues of 64 issuers were listed, of which only 9 were accorded unlisted trading privileges. The majority of issues traded are local issues, as only one-third of issues traded in were traded on one or more other exchanges. Most of issues traded are stocks, as only three bond issues were listed.

CIPHER CODE

Originally a method of communicating secret written messages unintelligible to third parties-despatched by mail, telegraph or cable. The term is now applied to telegraphic or wireless messages transmitted, not in long-hand, but by a shorthand key or code, and primarily to secure condensation and economy rather than secrecy. Most international banking codes are in general use and the keys are accessible to all, so that secrecy is not the primary object. Anyone taking the pains can secure a translation and where secrecy is important, private codes must be employed.

Code messages not only secure economy by making one five-letter word the equivalent of a phrase or sentence, but accomplish five purposes: (1) economy, as explained above; (2) safety (in making payments a test word is used so that paying bank may know that the cablegram is authentic); (3) accuracy (the message must prove); (4) simplicity (the message can be boiled down to a few words), and (5) efficiency (time is saved in writing and sending the message). As an example of the economy effected by sending messages in code, an illustration taken from one of the International Banking Codes is given: "SHANY AYFAX".

SHANY means: "We accept your rate and will pay on next Friday to your correspondent in Christiania for your account."

AYFAX means: "Kroner seventy thousand."

The principal international codes are: Lieber's Five-Letter American Telegraphic Code, Western Union Code, Bentley's, Complete Phrase Code, Improved, Peterson's International Banking Code, Lloyd's Bank Code. Special private codes are often arranged by banks for exclusive use in transactions with correspondents and branches in foreign countries.

Code messages involving the transfer of funds or other items of value are tested, i. e., supplied with a word or number computed by a complex formula known only to the sender and receiver. It can thus be proved to be authentic. (See Cable Transfer, Test Number.)

CIRCULAR

See Bond Circular, Prospectus.

CIRCULAR LETTER OF CREDIT

See Traveler's Letter of Credit.

CIRCULATING ASSETS

Same as Current Assets (q. v.)

CIRCULATING BANK NOTES

See Circulating Notes.

CIRCULATING CAPITAL

Capital invested in Current Assets (q.v.).

CIRCULATING MEDIUM

All forms of money which have the quality of currency i.e., pass from bearer to bearer without indorsement. Circulating medium is the proper term for what is ordinarily called currency and is one of the mediums by which the exchange of goods and services take place. In the United States, it includes the following kinds of currency: Federal Reserve notes, silver certificates, subsidiary silver and minor coin, which constitute the bulk of circulation, the only other type of circulation being issued regularly being United States notes. Federal Reserve Bank Notes and National Bank Notes are in process of retirement. Gold coin and gold certificates since 1934 have not formed part of domestic circulation, gold certificates being held by Federal Reserve Banks and Agents. (See Money.)

CIRCULATING NOTES

A term applied to Federal Reserve bank notes and National bank notes, also known as circulation, both of which are in process of retirement. (See Bank Note,

Federal Reserve Bank Notes, National Bank Notes.)

CIRCULATION

Another term applied to circulating bank notes. (See Circulating Notes.)

CIRCULATION STATEMENT

Published each month by the Treasury Department, the Circulation Statement of United States Money reports: (1) Total stock or amount of each type of coin and paper currency outstanding; (2) amounts held by the Treasury and the Federal Reserve Banks; and (3) amounts in circulation excluding the amounts held by the Treasury and the Federal Reserve Banks. (See Money Circulation.)

CITY BONDS

See Municipal Bonds.

CITY COLLECTION DEPARTMENT

The department of a bank which received sight and time drafts, checks, notes, and acceptances "over the window" from local depositors and from out-of-town correspondents for collection within the city. The city collection department handles collection items only, i. e., those which are credited to depositors' accounts only when, and if, actually collected. (See Country Collection Department.)

CITY COLLECTIONS

See Collection Items.

CITY ITEMS

A term used in banking practice to denote checks, drafts, notes, or acceptances drawn on a bank, individual, firm, or corporation located in the same city as the bank where they have been deposited for collection, either through the clearing house or by messenger.

CIVIL BONDS

Bonds issued by a Government or political sub-division thereof, e. g., Federal Government, state, county, municipal, district, precinct, dependent territory, as distinguished from corporation bonds. Civil bonds are supported by the good faith and taxing power of the issuing governmentality and are rarely secured by a specific pledge of collateral. (See Bond.)

CIVIL LOANS

Loans made by a Government or political sub-division thereof. (See Civil Bonds.)

CLASS BONDS

Same as Classified Bonds (q. v.).

CLASS I RAILROADS

Railroad companies, including switching and terminal companies, having annual operating revenues (total gross revenues) in excess of $1,000,000. (See Railroad Earnings.)

CLASS II RAILROADS

Railroad companies, including switching and terminal companies having annual operating revenues (total gross Revenues) from $100,000 to $1,000,000. (See Railroad Earnings.)

CLASS III RAILROADS

Railroad companies, including switching and terminal companies, having annual operating revenues (total gross revenues) below $100,000. (See Railroad Earnings.)

CLASSIFIED BONDS

Bonds of the same corporation issued in series, e. g., Series A, Series B, Series C, etc., differing as to interest payment or issue or maturity date.

CLASSIFIED STOCK

Stock of the same corporation issued in series, the first in the series having rights prior to the others, e. g., first preferred stock, second preferred stock, third preferred stock, or Class A, Class B, or Class C Common Stock.

CLAYTON ACT

An Act passed on October 15, 1914, the general purpose of which was to prohibit abuses of large business combinations. It is applicable to banks in that it regulates interlocking directorates of banks. The Sections of the Clayton Act relating to banks, Sections 8 and 11, have been amended seven times since original passage, the last amendments being incorporated in the Banking Act of 1933 and the Banking Act of 1935.

Section 8, as amended, states that no director, officer or employee of any member bank of the Federal Reserve System shall be at the same time a director, officer or employee of any other bank, National or State, except that the Board of Governors of the Federal Reserve System may by regulation permit such service for not more than one other such bank. This general prohibition does not apply to the following: (1) banks in which the United States controls more than 90% of the stock; (2) banks in formal liquidation; (3) foreign banking corporations organized under Section 25 of the Federal Reserve Act; (4) Banks controlled by stockholders of member banks; (5) Banks located in places other than the same or contiguous and adjacent to the location of the subject bank; (6) Banks not engaged in the same class of business; and (7) Mutual savings banks.

Section 11, as amended, charges the Board of Governors of the Federal Reserve System with enforcement of the Act's Section 8 applicable to banks. In accordance therewith, the Board has issued Regulation L, latest revision of which is dated January 4, 1936. (See Federal Reserve Act.)

CLEAN BILL OF EXCHANGE

A bill of exchange not accompanied by shipping documents, such as bill of lading, insurance certificate, etc., and therefore unsecured. Bankers' bills are usually clean. (See Bill of Exchange.)

CLEAN BILL OF LADING

One which does not lessen the issuing transportation company's liability by such restricting clauses as, "Said to contain-", "Shipper's load and count", etc., or which refers to packages as not being intact. (See Bill of Lading.)

CLEAN BOND

A coupon bond that bears no indorsement or marks, as distinguished from a marked bond. (See Stamped Security.)

CLEAN CREDIT

A letter of credit issued by a bank against which the designated foreign seller may draw a bill without documentary support. The issuing bank engages to accept a clean bill, if otherwise drawn in accordance with the

conditions imposed by the relative letter of credit. A clean credit is granted only to concerns of the highest credit standing. (See Letters of Credit.)

CLEAN DOCUMENTS

See Clean Bill of Lading.

CLEAR

This term has four meanings:

(1) Checks are cleared through the clearing house, i. e., collected or passed through for payment. (See Clearing House.)

(2) Active securities are cleared through a stock exchange clearing house. (See Stock Clearing Corporation.)

(3) A legal expression meaning free from incumbrance.

(4) A vessel clears a port only after notice has been given of its intended departure and examination and leave by the Customs' officials has been given. Clearance papers constitute a certification showing that a vessel bound for a foreign port has fulfilled the requirements of the law and has authority to leave port.

CLEARANCE PAPERS

See Clear.

CLEARANCES

1. The process of effecting clearings in clearing house practice. (See Clearing House.)

2. Vessel clearances are the right of vessels to depart from a port, as evidenced by certificate obtained from the collector of the port, certifying to compliance with customs, health, and other port regulations.

3. The customs entry of goods. Every import of goods into the United States, unless expressly exempted, must be "entered" by filing on the required forms with the customs house, whether or not duty-free.

4. Also, the total volume of commodities shipped out from a port for a particular date.

(See Customs House, Customs Duty, Customs Ports.)

CLEARING CONTRACTS

In the operation of clearing contracts traded in on commodity exchanges, the process of substituting principals to transactions, thus facilitating settlement of accounts. (See Futures.)

CLEARING HOUSE

A voluntary association of banks located in the same city joined together to facilitate the daily exchange of checks, drafts, and notes among its members, instead of separate exchanges being made directly by each bank with the others. "A clearing house may be defined as a device to simplify and facilitate the daily exchanges of items and settlements of balances among the banks and a medium for united action upon all questions affecting their mutual welfare. The tendency has been marked, especially in recent years, to include within the legitimate field of clearing houses all questions affecting the mutual welfare of the banks and the community as a whole."

The following data, prepared by the New York Clearing House, describe the historical and statistical aspects of the New York Clearing House.

The New York Clearing House is a voluntary association of banks located in the City of New York. The Constitution of this association states as its object "the effecting at one place of the daily exchanges between the members thereof and the settlement of the balances resulting from such exchanges, the promotion of the interests of the members, and the maintenance of conservative banking through wise and intelligent co-operation."

Origin

The Clearing House idea as applied to banks, originated in London, England, as far back as 1773 and it was not until 1853 that the New York Clearing House was formed, which was the first institution of its kind in this country; although some twenty years prior thereto, Albert Gallatin, a prominent banker of his time and an able economist, suggested to his banking associates the establishment of a Clearing House in New York similar to that maintained in London, England. Between the years 1849 and 1853, the number of banks in New York City increased from 24 to 57, this following the increase of business incident to the discovery of gold in California, and this increase in the number of local banks made it very necessary that some plan be worked out which would bring about a more prompt settlement of balances between banks. At that time all banks presented checks of each other by hand and for a while settlement had been made in gold and bank notes. From this arrangement the plan of weekly settlement was developed but this was not found to be satisfactory or adequate for various reasons.

Daily and Annual Totals

The first exchange was made on October 11, 1853, and the amount of checks exchanged on that day totaled $22,600,000. Ninety-four years later, that is, October 10, 1947, the total exchanges at the Clearing House amounted to $1,285,000,000. Beginning with the simple exchange of checks, this act of co-operation on the part of the banks has led to others increasingly important and has demonstrated over and over again the value of banking organization.

In the ninety-four years existence of the Clearing House, checks to the stupendous amount of $10,291,000,000,000 have been exchanged. The total in the fiscal year ending September, 1947, was approximately $357,000,000,000 which is an average of $1,295,000,000 each working day. On five occasions in 1928, fifty-one in 1929, five in 1930, two in 1945, five in 1946, and four in 1947, the daily exchanges exceeded $2,000,000,000. The largest exchange on record was made on October 31, 1929 when the total reached $3,853,000,000. It is worthy of note that the exchanges exceeded the $3,000,000,000 mark on four other days during that year.

The following are the largest daily totals recorded in subsequent fiscal years ending September 30th:-

1931	January 3	$1,863,000,000
1932	October 2	1,428,000,000
1933	June 16	1,045,000,000
1934	April 17	1,239,000,000
1935	July 2	1,466,000,000
1936	March 17	1,600,000,000
1937	July 2	1,337,000,000
1938	June 16	1,088,000,000
1939	Dec. 16, 1938	1,290,000,000
1940	Dec. 23, 1939	999,000,000
1941	June 3	1,174,000,000
1942	Dec. 16, 1941	1,236,000,000
1943	Feb. 2	1,502,000,000
1944	March 16	1,799,000,000

1945	June 19	$ 2,155,000,000
1946	Dec. 4, 1945	2,237,000,000
1947	April 2	2,153,000,000

There are 259 reporting Clearing Houses in the United States and the clearings of the New York Clearing House represent about 51 per cent of the total clearings for the entire country.

SUMMARY OF VARIOUS EXCHANGES

When the Clearing House started operations there was but one exchange, 10 o'clock each morning. In February, 1918, it was found necessary due to the accumulation of checks at the 10 o'clock exchange to have another exchange at 9 o'clock, and in January, 1922 at the request of a few of the larger banks, a third exchange was instituted at 8 o'clock in the morning to take care of the early morning mail. Items sent through the exchanges which were unpaid, were returned to the depositing banks during the day and in order to handle this part of the work, a special return item exchange at 3 P. M. was started in September, 1917. With the growth of the City and the increase in the number of branch offices of members, many of them some distance from the main offices, it was found that some other plan would have to be worked out in order to take care of the tremendous volume of checks accumulating in and distributed to the various offices each day. Consequently in August, 1926, a number of changes were made in the rules and constitution of the Clearing House providing among other features for the establishment of a night exchange at the Clearing House, which is open for the delivery and receipt of packages of members from 5 o'clock in the afternoon until 3 o'clock in the morning. The Coupon Exchange which takes place at 9:15 each morning was also provided for at this time.

In October, 1929, an exchange for Stock Certificates between Transfer Agents and Registrars was inaugurated with two sessions daily - 8:30 A. M. and 11:30 A. M., and in June, 1930, a third session was added at 10:45 A. M.

In 1942, due to a change in the arrangement for redemption of Postal Money Orders, the Clearing House inaugurated a plan to handle such items which are payable at certain out-of-town points for the member banks through the City Collection Department.

DAY'S OPERATIONS AT THE CLEARING HOUSE -- VARIOUS EXCHANGES

In order to give a picture of the entire day's operation at the Clearing House, it would no doubt be interesting to briefly take a day commencing at 8 o'clock in the morning and continuing through until 3 o'clock the following morning.

EIGHT O'CLOCK EXCHANGE

At 8 o'clock the vault room, where the night exchange takes place, is opened and deliveries are made to member banks of packages received from other members following the close of business the preceding day. The banks receiving items at this time do not maintain night forces and consequently have not called for their packages earlier in the morning.

At the same hour there is an exchange going on in the Exchange Room between fourteen of the larger banks. This is the 8 o'clock exchange and the banks participating use it for the clearance of checks which have arrived in the early morning mail after the items have been taken to the Midnight Exchange.

EXCHANGE FOR STOCK CERTIFICATES

At 8:30 A. M. representatives of the Transfer and Registrar Departments of the member and clearing non-member banks and three outside institutions meet at the Clearing House at which time the Transfer Agents deliver stock certificates to the Registrars for registration, the certificates being securely tied in bundles and marked with the names of the delivering and receiving banks. This exchange which lasts fifteen minutes closes at 8:45 A. M.

NINE O'CLOCK EXCHANGE

Then follows the 9 o'clock exchange in which most of the member banks participate. This also takes care of the mail items which have been received from the Post Office at various hours from 2 A. M. on and including mail and night deposits.

POSTAL MONEY ORDERS

Also at 9 A. M. the member banks deposit money orders which are drawn on, or payable at certain out-of-town points. Due bills are issued to the member banks for the amount of the deposit less the cashing fee imposed by the New York Post Office, and the orders are then presented for payment by the City Collection Department to the New York Post Office. The due bills issued to the member banks and check received in payment from the Postmaster offset each other when cleared through the 10 o'clock exchange the following business day.

COUPON EXCHANGE

At 9:15 A. M. the members again assemble for the Coupon Exchange where coupons payable at the various member banks, having been sorted into envelopes under the name of the paying bank, are presented to these banks and receipts taken which are redeemable through the 10 o'clock exchange the following day. This Coupon Exchange was started in September, 1926, and for the year ending September, 1947, coupons amounting to approximately $458,000,000 were paid through it or about an average of $1,659,000 a day, the largest day being slightly over $6,372,000. This exchange usually takes about ten minutes from the time the banks are assembled to their dismissal. Coupons from approximately 12,000 bond issues are paid through this exchange. The Clearing House obtains each month from its members lists of coupons due and payable, and distributes these lists arranged in alphabetical order to the members and others interested.

TEN O'CLOCK EXCHANGE AND METHOD OF SETTLEMENT

At 10 o'clock all the members assemble again for the principal exchange and, as in the case of the other exchanges, all checks are sorted into envelopes under the name of the member bank on which the checks are drawn. The representatives of the various banks take places at their desks in the Clearing Room; The Settling Clerks standing behind the desks and the Delivery Clerks standing in front of the desks with the packages all arranged in order ready to start upon the signal from the gallery. When the signal has been given the Delivery Clerks pass forward from desk to desk and as soon as the Settling Clerks receive the packages, they record the amount thereof on the sheets and the messengers take them to their banks. The Clearing House is furnished with the total of the amount brought to be exchanged by each bank and, after the Settling Clerks

record the incoming packages, a total is also furnished of the amount received and the balance or difference, either debit or credit. These figures are tabulated on a sheet by the Clearing House Proof Clerk and when a proof has been made and announced the various clerks are dismissed. Fines are imposed on the member banks if they fail to arrive promptly at the opening hours of these exchanges. Settlement at the 10 o'clock exchange, or final exchange, includes all items delivered or exchanged subsequent to the 10 o'clock exchange of the preceding business day.

The balances, debit or credit for each bank, are listed by the Clearing House and a memorandum furnished to the Federal Reserve Bank which makes the necessary adjustments or settlements through the accounts of the member banks on its books. The balances required to settle the enormous daily clearing of checks amount to about 21 per cent. of the total exchanges; the remainder being adjusted by offset. Prior to the establishment of the Federal Reserve Bank these balances were settled in cash at the Clearing House. By 1 P. M. each day the Federal Reserve Bank confirms to the Clearing House that all balances have been adjusted.

CITY COLLECTION DEPARTMENT

While the 10 o'clock exchange is in process in the Clearing Room, the members are bringing into the City Collection Department items drawn on the various institutions on this list. These represent foreign banking houses, investment brokers and bankers, railway companies, insurance companies, and commercial concerns, the number totaling approximately 96. This department enables the member banks to send all such items to a central point (the Clearing House) and receive payment in one check. The packages containing these items are sorted by the Clearing House staff and delivered to the authorized representatives of the firms and corporations drawn on. By 1:30 P. M. the Clearing House receives a certified check in payment which is used as an offset against the due bills handed to the members upon receipt of their packages in the morning. These due bills and checks are cleared through the 10 o'clock exchange of the following morning. This department was established in 1917 and the names on the list are, of course, very carefully selected.

EXCHANGE FOR STOCK CERTIFICATES SECOND SESSION

At 10:45 A. M. daily, a number of the representatives of the Transfer and Registrar Departments of the member banks meet for the second session of this exchange to return registered stock certificates from the Registrars to the Transfer Agents. This is an informal exchange, opening at 10:45 and lasting fifteen minutes each business day and is preliminary to the regular exchange for Stock Certificates at 11:30 A. M.

EXCHANGE FOR STOCK CERTIFICATES THIRD SESSION

From 11:30 A. M. to 12 noon each business day representatives of the Transfer and Registrar Departments of member banks and a number of banks not members of the Clearing House again meet for the purpose of returning stock duly registered from the Registrars to the Transfer Agents, subject to the same regulations as to wrapping and marking as govern the other two sessions.

The exchanges for Stock Certificates have proved to be of great assistance to the Registrar and Transfer Departments of the participating institutions, a large proportion of the deliveries being handled through this channel.

RETURN ITEM EXCHANGE

Items, included in the packages of the various check exchanges, which are not paid are either returned by hand directly to the bank presenting them, or, if $5,000 or under, may be sent through the 3 P. M. Return Item Exchange with the additional provision that items $1,000 and over returned for endorsement or informality must be certified by the returning bank. As an alternative arrangement such certified items may also be returned through the Midnight Exchange. Information regarding "Not Good" items being returned by branches of members located at some distance from the main offices, or in what is known as the "Outlying Zone," if $5,000 or under, is given by telephone to the main office, where a form of confirmation of advice is prepared and sent through the Return Item Exchange, with the item coming through the Midnight Exchange. "Not Good" demand items for less than $1,000 each may be returned through the Mid-night Exchange without previous notice provided that such items over $100 bearing out-of-town endorsement must be protested. All return items, however, over $5,000 are sent back by messenger the same day.

MIDNIGHT EXCHANGE

Promptly at 5 o'clock in the afternoon the Midnight Exchange opens in the vault room and as each bank finishes the work of the day, checks on all the other members after having been sorted and totaled are brought to the Clearing House and deposited, a list of the envelopes being made in duplicate, the Clearing House receipting and returning one copy, keeping the other. These envelopes are sorted in the Vault Room into boxes for the various member banks to which they are addressed. This procedure continues until midnight and promptly at that hour and continuing until 3 o'clock in the morning, deliveries are made to the banks with night forces which call at the Clearing House Vault Room and receive packages that have accumulated in their boxes. The Clearing House staff list these as delivered and take receipts. Banks are permitted to send packages to the Clearing House for this exchange until 2 A. M., and receive their packages from 12 o'clock midnight until 3 A. M. No bank may make more than two deliveries to the Clearing House although they may call for their packages as often as they care to within the prescribed hours. At the closing hour all packages on hand are checked against the record of the number received and delivered, and locked in the vault to be taken out five hours later (8 A. M.)for delivery to the representatives of the banks not maintaining night forces.

It is estimated that about 69 per cent. of the total of the entire day's clearings goes through the Midnight Exchange or, measuring this volume in another way, approximately two tons of checks are handled by the night force after regular banking hours.

OTHER CLEARING ARRANGEMENTS

This fairly well covers the day's operations at the Clearing House, and these exchanges include all checks on members received by the 24 member banks and their 395 branches in addition to the Federal Reserve Bank and the City Collection Department of the Clearing House. There are 3 banks and trust companies known

as clearing non-members that make their exchanges through members under constitutional provisions, thus making a total of 424 banks, trust companies and branches whose items are cleared through the Clearing House. All other Greater New York banks clearing items drawn on New York Clearing House member banks make use of the Federal Reserve Bank, which, as a clearing member of the Clearing House makes use of the facilities to the fullest possible extent for the clearance of items on member banks received by it. The Federal Reserve Bank through its Manhattan-Bronx and Brooklyn Collection Arrangement, also clears items drawn on 38 local banks that are not members of the Clearing House. This arrangement is very similar to the City Collection Department of the Clearing House except that in the latter case the list is principally non-banking institutions, except agencies of foreign banks, while the Federal Reserve Bank confines its list to banks. A few institutions that do not make use of the Federal Reserve Bank or the Clearing House for the clearance of their items, pay on presentation over the counter.

There are about 68 commercial banks of various sizes in Greater New York with assets of approximately $27,812,000,000, the assets of the Clearing House institutions representing about $26,210,000,000 of this total, or approximately 94 per cent.

STATISTICAL DEPARTMENT

This department at the Clearing House compiles the daily, weekly and annual figures of clearings and balances; also weekly reports and other reports of members. In addition a compilation is made of the quarterly State Banking Department and Comptroller of the Currency bank reports showing the assets and liabilities in detail of all banks in Greater New York. These are distributed to the members and other banking institutions as well as individuals.

Since June, 1930, the Clearing House has issued a booklet containing a complete list of paying agents of coupons in Greater New York covering all issues not taken care of in the monthly coupon list issued in connection with the Coupon Exchange for members of the Clearing House. This booklet is revised annually and distributed to the member banks and others interested.

To facilitate the handling of redemption advices sent through the Return Item Exchange, a Directory containing branch information as to number or symbol, address, telephone number, etc., is issued and revised periodically. The Clearing House also prepares the total clearings of all reporting Clearing Houses in the United States annually. Information covering many subjects is collected and filed at the Clearing House and this material is used quite freely by the member banks, statisticians and financial writers.

MEMBERSHIP

Membership in the Clearing House Association requires a minimum capital of $1,000,000. Applications for membership are approved by a Committee on Admissions and then presented to a meeting of the Association. After approval of the application, payment of an admission fee of $5,000, and signing the Constitution, the new member is accorded the facilities of the Clearing House.

EXPENSES

The expenses of the Clearing House are assessed against each member bank on the basis of the total dollar amount of checks brought by each institution in relation to the total amount of the exchanges of all members for the year.

MANAGEMENT

The Clearing House occupies its own building which was erected in 1896 at 77 Cedar Street. The executive officers are the Manager and Assistant Managers. The Manager, under the control of the Clearing House Committee, has immediate charge of the Clearing House building and the transaction of all business of the Clearing House. The Clearing House Committee is composed of senior bank officers, the members serving two years, a new Chairman being elected every year. The following make up the present Clearing House Committee:

J. Luther Cleveland, Chairman
Chairman of the Board, Guaranty Trust Company

W. Randolph Burgess,
Vice-Chairman of the Board, National City Bank

George Whitney,
President, J. P. Morgan & Co. Incorporated

William S. Gray, Jr.
President, Central Hanover Bank and Trust Company

E. Chester Gersten,
President, Public National Bank and Trust Company

Winthrop W. Aldrich, President of the Association
Chairman, Board of Directors, Chase National Bank
Elected Oct. 1947

The President of the Association is elected every two years and this is an office that is very highly regarded in the banking fraternity and one that is considered an honor to hold. The President of the Association is ex officio member of the Clearing House Committee.

CLEARING HOUSE AGENT

A member of a clearing house which clears the checks of another bank which is not.

CLEARING HOUSE BALANCE

The total of the debit and credit balances at a clearing house each day as distinguished from the aggregate of checks, debits and credits. A report of the clearing house totals and balances is published daily in the financial section of the local newspapers.

CLEARING HOUSE BANK RETURN

See Clearing House Statement.

CLEARING HOUSE CERTIFICATES

J. G. Cannon writes there were two kinds of clearing house certificates: (1) those secured by a deposit of gold coin; and (2) those secured by a deposit of collateral securities. The former were employed in ordinary times as a means of settling clearing house balances solely as a measure to economize time, labor and expense, by minimizing the risk in handling large sums of money. The latter, properly called Clearing House Loan Certificates (q. v.) were employed in times of financial disturbance or panic. Both were used exclusively for

the purpose of settling clearing house balances among the members of the association.

CLEARING HOUSE COMMITTEES

The New York Clearing House Association has four standing committees which are elected annually from the officers of members. These committees are as follows: clearing house committee, conference committee, committee on admissions, and nominating committee. The clearing house committee is the most important and its duties consist of the following: (1) to appoint the manager and all necessary employees; (2) to collect moneys and supervise expenditures; (3) to establish rules and regulations not provided for in the constitution; (4) to examine the members of the association; (5) to establish rules regarding collections on out-of-town banks and fixing the rates to be charged therefor; and (6) to establish a scale of fines for errors, disorderly conduct, and other irregularities. (See Clearing House).

CLEARING HOUSE EXCHANGE RATES

Rates of exchange (usually minima) established by a Clearing House Association, which members thereof are bound to observe, penalties being provided for violations. The original establishment of uniform exchange rates for Clearing House members in New York City grew out of the severe competition of members for deposits, many banks receiving checks drawn on out-of-town points for deposit at par, ignoring any exchange charge. This arrangement seemed unfair in view of the fact that Southern and Western banks continued to charge exchange for checks received for deposit and drawn upon New York banks, with the result that the New York banks sustained losses through collection of these checks at par. Accordingly, the New York Clearing House Association, in the interests of conservative banking, and in order to discourage circuitous routing of items, and to place all members on an even plane of competition, originally prescribed minimum exchange charges. This schedule of rates was established by the Clearing House Committee and was revised from time to time. In this schedule, points in adjoining states were par points, and many points further away were discretionary, i. e., the rate of exchange was discretionary with the bank receiving the item for deposit.

The rate of exchange upon items that must be collected in out-of-town points depended upon three variables, viz: (1) the kind of item, i. e., whether checks and drafts, banker's acceptances, or other items (banker's acceptances received a preferential rate); (2) whether the bank on which the item is drawn is located in a Federal Reserve bank city (or branch city), or elsewhere (the former being accorded a lower rate), and (3) the mail time between the point of deposit and the point of collection.

In July, 1926, the New York Clearing House revised its constitution to abolish exchange charges. As a result of the facilities for the collection and payment of checks at par by the Federal Reserve System, par collection being a condition of membership in the System, the great majority of banks now remit on checks at par. (See Clearing House, Domestic Exchange, Par List.)

CLEARING HOUSE LOAN CERTIFICATES

An emergency form of currency for use in settling clearing house balances only, issued at times of shortages in currency in the past before organization of the Federal Reserve System. The New York Clearing House reports:

"Ten times in the history of the New York Clearing House have the members pooled their resources to make available to the business public the largest possible supply of credit. This was arranged through the issuance of Clearing House certificates, the first issue being in 1860 when Abraham Lincoln was elected President of the United States, and again in 1873, and the third time in 1890. This was closely followed by the Panic of 1893 denoting the end of the boom period of railroad and city building in the west, and again in 1907 when runs on certain New York banks caused withdrawals of deposits on a large scale and the so-called money panic was the result, there being a lack of legal provisions for the issuance of currency to meet the unusual demands. The next issuance of Clearing House certificates was in 1914 at the outbreak of the World War, when the Stock Exchange was closed for several weeks. With the establishment of the Federal Reserve System and the provisions for the issuance of Federal Reserve Notes the currency situation has been made very flexible and thus able to take care of any emergency which might arise."

Under the Federal Reserve System, which provides for rediscounts and elastic currency, it is doubtful whether Clearing House Loan Certificates will ever again be needed. The real explanation for the necessity to resort to these certificates in the past lay in an organic defect in the National banking system, viz., failure to provide for Elastic Currency (q.v.), which expands and contracts with the needs of business.

CLEARING HOUSE PROOF

A proof of each day's clearings at a clearing house as determined by the clearing house manager, as the result of the clearing process. This proof shows the amount brought to and received from the clearing house by each member, and the credit or debit balance of each. The proof is secured by reaching an agreement between the total debits and credits, and between the total debit and credit balances.

In the New York Clearing House (and a few others), a certified copy of the clearing house proof is used as a journal entry by which the balances due to or from each member may be adjusted through the books of the Federal Reserve bank. In New York City a total of approximately $357 billion in checks were cleared for the fiscal year ending September, 1947, an average of $1,295 million each working day.

A facsimile of the New York Clearing House Proof is reproduced on page 126.

CLEARING HOUSE RETURN

Same as Clearing House Statement (q. v.).

CLEARING HOUSE SETTLEMENT

Payment by a bank of its debit balance to, or receipt of its credit balance from, the clearing house. It is really an adjustment by each bank with all other banks of the association of their mutual claims against one another. Payment of balances may be effected in a variety of ways. (See Clearing House.)

CLEARING HOUSE SETTLEMENT SHEET

A sheet prepared by each member of a clearing house association showing the amount of checks, etc., which it holds against each other bank of the association, and which will be presented for collection at the next clear-

NEW YORK CLEARING HOUSE

	MEMBERS	DEBIT	CREDIT
1	Bank of New York		
2	Bank of the Manhattan Co.		
8	National City Bank		
12	Chemical Bank & Trust Company		
23	Guaranty Trust Company		
30	Manufacturers Trust Company		
33	Central Hanover Bank & Trust Co.		
45	Corn Exchange Bank Trust Co.		
65	First National Bank		
67	Irving Trust Company		
72	Continental Bank & Trust Co.		
74	Chase National Bank		
76	Fifth Avenue Bank		
102	Brooklyn Trust Company		
103	Bankers Trust Company		
106	Title Guarantee and Trust Co.		
108	Marine Midland Trust Company		
110	Lawyers Trust Company		
114	New York Trust Company		
120	Federal Reserve Bank of N. Y.		
125	Commercial Nat'l Bank & Tr. Co.		
127	Public Nat'l Bank and Trust Co.		
130	J. P. Morgan & Co. Incorporated		
131	United States Trust Company		
132	Grace National Bank		
200	New York Clearing House		

This certifies that the above are the correct balances of the members of the New York Clearing House Association, resulting from this day's exchanges, to be adjusted through the Federal Reserve Bank of New York $_____

_____

Manager

ing. The total of this sheet, i. e., the aggregate of claims against other members, represents the bank's credit balance at the clearing house. (See Clearing House.)

CLEARING HOUSE STATEMENT

A statement issued periodically, usually once a week, by the larger clearing house associations, which displays in condensed and detailed form the financial condition (loans, investments, legal reserve, vault cash, demand and time deposits) of the member banks.

The weekly detailed statement of the New York Clearing House Association was discontinued beginning with the week ended March 31, 1928, except information as to deposits, capital and undivided profits. It had been published regularly since the organization of the Clearing House in 1853. Discontinuance was decided upon because of the realization that the returns no longer served a useful function. Formerly the aggregate position of the New York Clearing House banks was regarded as extremely important information because it reflected the banking strength of the country as a whole, since practically all interior banks maintained deposits in New York. It was, in fact, practically the only display of bank data available weekly.

Since the passage of the Federal Reserve Act, which compels all members to keep their reserves in the Federal Reserve banks, it was the opinion of the Clearing House officials that the weekly statement of condition of the clearing house member banks was only of local interest, and useless as portraying the financial status of banks on a country-wide basis. It was cited that ample data regarding current banking conditions are now provided by (1) the weekly Federal Reserve statement (combined and individual), (2) condition of member banks in leading cities (weekly) as reported by the Federal Reserve Board of Governors (3) weekly reports of the Federal Reserve Board of Governors on loans to brokers secured by stocks and bonds, (4) monthly report of brokers' loans issued by the New York Stock Exchange, and (5) weekly reports of Federal Reserve Board of Governors on debits to individual accounts. The latest revised form of weekly statement issued by the New York Clearing House Association members is shown herewith. (See Bank Statement on page 128.)

CLEARING STOCKS

Stocks which may be cleared through the Stock Clearing Corporation (q.v.)

CLEARING MEMBER BANK

A bank which is not a member of the Federal Reserve System, but which may collect its out-of-town checks, etc., through the Federal Reserve Check collection system. Banks can become clearing members by keeping a balance with the Federal Reserve bank of their district against which incoming collections may be charged. A further qualification is that clearing members must agree to accept all checks drawn on, and presented against them, at par. All 6,921 member banks and 5,108 non-member banks as of November 30, 1947 were on the par list, as compared with 2,048 non-member banks not on the par list. (See Federal Reserve Check Collection System, Par Clearances, Par List.)

CLEARINGS

See Bank Clearings.

CLIQUE

An informal group of persons or financial interests who work for a common end, and as applied to stock speculation, in former "free markets" before the SEC, a group organized to manipulate the price of a security, or group of securities. In financial reviews, bull cliques and bear cliques were often referred to as groups of individuals interested in forcing prices up or down. A clique differed from a pool in that there was no formal written agreement, nor was the management of the clique in the hands of a particular person. In a clique there was merely an informal understanding that a certain stock was to be exploited, while in a pool, there was a written agreement in which the profits or losses are shared by the members. Under the Securities Exchange Act of 1934, manipulation of security markets is prohibited, such as matched orders or "wash sales", and short sales, stop-loss orders, price-pegging and stabilizing are placed under Securities Exchange Commission control and regulation, which thus hits directly at former clique practices. (See Manipulation, Pool.)

CLOCK LOCK

See Time Lock.

CLOCK STAMP

A device for imprinting the hour and day of arrival upon all mail and other matter received. Such a stamp is useful for future reference purposes and to test the efficiency and speed in filling orders or answering letters.

CLOSE

In commodity exchange trading, the short period of time just before the end of the market session, when all trades are officially declared to be executed at or on the close.

Also, the last recorded price for a security or commodity, also called the "last", for a particular trading session. (See Closing Price.)

CLOSE (CLOSED) CORPORATION

A corporation, the shares of which are held by a few persons, usually officers, employees, or others close to the management, and which are rarely offered to the public.

CLOSE MONEY

Money obtained at fairly high interest rates. Close money rates are not as high as for Tight Money (q.v.).

CLOSE PRICES

An expression used to describe the stock market when changes in prices between successive transactions are small fractions, or when the final bid and asked quotations differ by small fractions.

CLOSED MORTGAGE

A mortgage which precludes further indebtedness on the property which it pledges as security, i.e., the limit which can be borrowed under the mortgage has already been attained. Such a mortgage is advantageous to its purchaser or to bond holders whose security consists therein. (See Mortgage.)

CLOSED OUT

An expression used to refer to the clos-speculative account has been sold out against his consent because

Clearing House Statement

AVERAGE FIGURES CLOSE OF BUSINESS, FEB. 18, 1948

Clearing House Members	*Capital	*Surplus and undivided profits	Net Demand Deposits Average: Other than U. S. deposits	Net Demand Deposits Average: U. S. deposits	Time deposits Average
Bank of N. Y.....	$6,000,000	$21,363,400	$241,957,000	$2,373,000	$9,155,000
Bank of Manhat..	20,000,000	44,487,200	901,692,000	9,681,000	78,594,000
National City Bk.	77,500,000	192,615,600	(a)3,929,333,000	41,364,000	359,787,000
Chem Bank & Tr	25,000,000	83,149,900	999,797,000	7,632,000	37,846,000
Guaranty Trust...	100,000,000	260,666,700	(b)2,213,772,000	27,827,000	74,150,000
Manufacturers Tr.	41,250,000	82,565,100	1,538,173,000	18,224,000	355,646,000
Central Hanover...	21,000,000	105,528,300	(c)1,238,142,000	10,099,000	54,253,000
Corn Exchange....	15,000,000	28,592,800	655,261,000	6,505,000	44,403,000
First National.....	10,000,000	126,745,700	548,086,000	2,411,000	368,000
Irving Trust Co..	50,000,000	64,481,000	908,042,000	5,289,000	9,711,000
Continental B & T	5,000,000	7,282,300	159,159,000	1,612,000	4,013,000
Chase National....	111,000,000	211,024,800	(d)3,880,259,000	49,404,000	103,126,000
Fifth Avenue.....	500,000	6,076,700	73,993,000	1,549,000	5,109,000
Brooklyn Trust....	8,200,000	7,378,900	175,816,000	1,926,000	22,579,000
Bankers Trust.....	30,000,000	120,749,200	(e)1,232,242,000	22,818,000	43,443,000
Title Guar & Tr.	3,000,000	3,991,100	36,379,000	189,000	1,862,000
Marine Midland Tr	5,000,000	16,452,700	257,997,000	1,969,000	4,018,000
Lawyers Trust....	2,500,000	3,610,600	68,273,000	409,000	3,265,000
New York Trust..	15,000,000	49,395,600	514,845,000	4,530,000	36,513,000
Commerc'l N B&T	7,000,000	13,585,000	178,760,000	2,545,000	860,000
Public Nat B & T	9,625,000	20,213,900	327,625,000	3,671,000	149,641,000
J. P. Morgan & Co	20,000,000	38,881,500	512,754,000	6,135,000	3,599,000
United States Tr.	4,000,000	25,272,900	106,833,000	2,062,000	.....
Grace National....	3,000,000	3,898,700	81,531,000	1,319,000	1,097,000
Clearing Non-Member					
City Bk Farmers Tr	10,000,000	18,615,900	55,527,000	4,216,000	42,750,000
Totals.....	$599,575,000	$1,557,625,500	$20,842,248,000	$235,819,000	$1,445,788,000

*As per official reports: 6 National, Dec. 31, 1947; 2 state, Dec. 31, 1947; 17 trust companies, Dec. 31, 1947. (a) Includes deposits in foreign branches, †$736,704,000. (b) Includes deposits in foreign branches, †$75,796,000 (c) Includes deposits in foreign branches (Feb. 19), $7,831,000. (d) Includes deposits in foreign branches, †$178,260,000. (e)Includes deposits in foreign branches (Jan. 31), $31,578,000.

†Latest available date.

CLEARINGS

Week ended Feb. 20, 1948	$7,945,069,579.36
Week ended Feb. 13, 1948	*5,754,905,115.36

* Four days.

Additional Bank and Trust Company Report

AVERAGE FIGURES CLOSE OF BUSINESS, FEB. 18, 1948

Institutions Not in Clearing House

NATIONAL AND STATE BANKS

	Loans, discounts and investments	Cash	Reserve deposits New York and elsewhere	Deposits with banks and trust companies	Gross deposits
Lafayette National.....	$27,758,706	$999,939	$8,474,338	$567,110	$35,762,646
Peoples National.....	8,913,000	204,000	1,669,000	116,000	10,364,000
Sterling National.....	110,184,000	1,335,000	37,848,000	1,855,000	143,080,000
Trade Bank.....	44,117,700	1,365,954	16,610,108	524,649	58,608,517

TRUST COMPANIES—Average Figures

Empire Trust.....	$97,747,000	$6,726,000	$13,885,000	$1,447,000	$106,664,000
Federation Bank & Tr.	28,947,637	504,799	5,599,930	2,766,433	33,185,066
Fiduciary Trust.....	27,048,648	2,893,894	2,908,979	3,160	28,889,879
Fulton	30,563,000	7,500,700	190,400	271,400	33,011,100
Kings County Trust....	41,452,000	2,031,000	7,527,000	.....	42,721,000

Cash includes deposits at Federal Reserve Bank: Empire Trust, $5,306,000; Fiduciary Trust, $2,861,302; Fulton Trust, $7,097,500.

of insufficient margin, or to indicate that a business has been disposed of or liquidated.

CLOSING AN ACCOUNT

When a bank account is closed as shown by a complete withdrawal of the deposit balance, notice is sent by the bookkeeper (ledger clerk) to the new business department and credit department for their information and records. The reason for closing an account is usually ascertained, if possible, and recorded. Frequently a letter is written, or a representative sent to the customer in the interest of ascertaining the cause of withdrawing the account and to attempt to secure a reinstatement thereof.

CLOSING ENTRIES

In accounting, the journal entries which for the particular period close out the nominal accounts, combine their net balances into summary accounts, and close out the summary accounts to profit and loss account, for final transfer to the capital accounts.

CLOSING PRICE

The price at which the last sale of each stock, bond, or commodity is effected daily on a stock or produce exchange. These prices are quoted in the daily newspapers, usually with the opening (first) high, and low prices of the day. The net change in price of a security as reported from day to day is the difference between the closing prices of successive days.

CLOSING THE BOOKS

An expression used to refer to the closing of stock transfer books on a date fixed by the board of directors of a corporation at the time dividends are declared, in order to determine the stockholders of record, i. e., those entitled to received dividends. The last date for transferring stock in order to participate in the dividend is the day the books close, the following day the stock being sold ex-dividend. Closing the books enables the transfer agent to prepare a list of the stockholders so that dividends may be sent to the stockholders of record. (See Stockholders of Record, Stock Transfers.)

CLUB ACCOUNTS

Deposit accounts of unincorporated organizations, such as clubs, societies and groups. As in the case of corporation accounts, the bank should obtain and file resolution by the organization specifying the officers who are authorized to sign checks, together with signature card. (See Signature Department, Signatures.)

COALERS

An expression which refers to those railroads, a large part of the freight traffic of which consists in hauling coal. The chief roads which haul anthracite are the Reading, Lehigh Valley, Pennsylvania, Delaware & Hudson, Erie, Delaware, Lackawanna & Western, Central R.R. of New Jersey. The largest carriers of bituminous are the "Pocahontas" Region roads -- Chesapeake & Ohio, Norfolk & Western and Virginian; Baltimore & Ohio, Pennsylvania, Louisville & Nashville, New York Central and Illinois Central.

CO-ASSIGNEE

A joint Assignee (q. v.).

COCOA EXCHANGE

See New York Cocoa Exchange.

CODE

See Cipher Code.

CODICIL

A written addition to a will; a testamentary instrument altering or supplementing an existing will. It is neither necessary nor customary to have the codicil written on the same paper as the will, or attached to it, but it must be executed with the same formalities as the will itself, e. g., if the laws of the state require attestation by three witnesses for the will, the codicil requires the same number. (See Will.)

CO-EXECUTOR

One of two or more executors; a person, bank, or trust company appointed to act as executor jointly with another. (See Executor.)

COFFEE EXCHANGE

See New York Coffee and Sugar Exchange.

COINAGE

The process of identifying, by stamping a piece of metal intended to be used as money, by a sovereign power, i. e., a national government. When metal was first coined, only the obverse face was stamped with an image of the sovereign, with an indication of the weight. In the process of evolution, to prevent clipping, the reverse side was also stamped, and finally to prevent trimming the edges, the edges were milled. The purpose of coinage is to avoid inconvenience and delay in each act of exchange. Since coinage is a governmental certification of the weight and fineness, of coins, the necessity of testing the weight and fineness of metal, when used as a medium of exchange, is obviated. Good coinage involves the following requisites: easy recognition of denomination, easy identification of the issuing Government, certification of weight and fineness, difficulty of being counterfeited or altered; difficulty of being abraded. (See Abrasion, Brassage, Free Coinage, Gratuitous Coinage, Milling, Mint, Money, Seigniorage, United States Money.)

COINING RATE

See Mint Ratio.

COINS

First read Coinage.

Metallic money as distinguished from paper money; metal stamped by a governmental authority, for use as money, as distinguished from bullion, or metal in the mass. United States coins have a design, composition, weight and fineness fixed by statute and are manufactured only by the Federal government under the supervision of the Director of the Mint (q. v.), and may be classified as silver pieces, fractional or subsidiary silver coins, and minor coins (gold coins have been absent from circulation since 1934, when they were withdrawn from circulation.) (See United States Money.)

CO-INSURANCE

A sharing of insurance risk between insurer and insured, depending on the relation of the amount of the policy and a specified percentage of the actual value of the property insured at time of loss. The co-insurance clause of a fire insurance policy ordinarily provides that in the event of loss, the insurer shall be liable for no greater proportion of the loss than the ratio of the sum of the policy to the specified percentage (usually

80%) of the actual value of the property insured at the time when the loss is incurred. Consequently, it is in the interest of the insured to keep up insurance coverage, as the lower the amount of the policy in relation to the percentage of actual value specified, the greater will be the insured's co-insurance at time of loss. (See Insurance.)

COLLATERAL

Security given by a borrower to a lender as a pledge for payment of a loan. The collateral is deposited with the lender, and may be used to satisfy the claim of the lender in the event of failure of the borrower to meet the debt at maturity.

Any kind of property which has a ready and stable market can be employed as collateral, but the collateral value of different kinds of property is subject to wide variation depending upon a number of factors. The principal kinds of collateral are: real estate, bonds, stocks, notes, acceptances, certificates of deposit, passbooks, chattels (including grain and live stock), bills of lading covering readily marketable and non-perishable staples, warehouse receipts, assigned book accounts, and trust receipts. Some kinds of property are ineligible to serve as collateral because they have no ready market and their value unascertainable.

The chief factors bearing upon the value of property as collateral are: readiness and steadiness of market, activity of market, ease of transfer of title, degree of fluctuation of market value, and character of the collateral. The collateral or hypothecary value of property is the ratio of the amount which can be borrowed to its market value. The collateral value of real estate normally ranges between 40 and 66-2/3 per cent. National banks are not permitted to lend more than 50 per cent. upon improved real estate, and 60 per cent. of appraised value if the loan is amortized 40 per cent or more. Such limitations do not apply to real estate loans insured under Title II of the National Housing Act. Savings banks in New York State may lend 60 per cent. upon improved and 40 per cent. upon unimproved property.

Securities form an important class of collateral because of their extreme marketability. Under the Securities Exchange Act of 1934, the Board of Governors of the Federal Reserve System was empowered to regulate maximum loan value on registered securities by banks and members of national securities exchanges or firms doing business through them. Regulation T of the Board, applying to extension of credit by brokers and dealers on non-exempt registered securities, became effective October 1, 1934. Latest requirements, effective February 1, 1947, prescribe margin requirements (difference between market value, 100%, and maximum loan value) at 75% for extensions of credit by brokers and dealers in listed securities and for short sales. Margin requirements were 100% for the period January 21, 1946 to January 31, 1947. Regulation U, effective May 1, 1936, applies to the extension of credit on any stocks by banks for the purpose of purchasing or carrying registered stocks, and imposes similar maximum loan values. (See Federal Reserve Regulations, Hypothecary Value, Loans, Security.)

COLLATERAL HEIR

See Heir.

COLLATERAL LOAN

A short-term loan for which the borrower has deposited with lender some kind of collateral security, such as bonds, stocks, warehouse receipts, etc., which may be sold to satisfy the debt, if not paid at maturity.

COLLATERAL MORTGAGE BONDS

Collateral Trust Bonds (q. v.), which are secured by a deposit of mortgage bonds; bonds which are in turn secured by a deposit of mortgage bonds, and therefore indirectly secured by a mortgage. The title has sometimes proved to be a misnomer, because the security is sometimes stocks or bonds not constituting a direct lien.

COLLATERAL NOTE

A note evidencing a loan secured by collateral, generally stocks, bonds mortgages, or other notes. (See Note.)

COLLATERAL SECURITY

Property security as distinguished from personal security. (See Collateral, Personal Security, Security.)

COLLATERAL TRUST BONDS

Bonds secured not by real property but by a deposit in trust of securities, usually bonds and sometimes stocks. A parent company which owns bonds or stocks of its subsidiaries may use them as collateral against an issue of its own bonds. The investment value of collateral trust bonds depends upon the margin of safety, or excess value of the collateral above the collateral trust issue, range of fluctuation in the price of the collateral, protection offered by the deed of trust, and the general credit standing of the issuing corporation.

COLLATERAL VALUE

See Collateral, Federal Reserve Board Regulations (Regulations T and U), for discussion of collateral value on securities.

Qualities of commodities which influence collateral value are: grading, perishability, marketability, and steadiness in demand. Judged by these requirements, many commodities qualify as sound collateral for bank loans. In the leading commodities, in which commodity exchanges maintain active markets in futures, an additional protection to the bank is the requirement that the borrower hedge a position in the commodity loaned on, by sale of a futures contract in the commodity. (See Hedge.)

COLLECTION (COLLECTING) AGENT

A bank acting as agent or correspondent located in another city with which another bank has completed arrangements for the collection of checks and other items drawn on points in the former's locality, and for the conduct of other business.

COLLECTION CHARGES

Charges made by a bank for the collection of checks, coupons, drafts, notes and acceptances, drawn upon banks, corporations, or individuals at points outside the city in which the sending bank is located. Local clearing house associations usually fix a minimum compulsory collection charge for items drawn on out-of-town points, when cashed, or deposited for credit at its member banks. This charge is made to compensate for the loss of interest upon the money while the check is in process of collection, and is based upon the amount, and time necessary to collect the item.

Federal Reserve banks, through their transit departments, collect out-of-town checks for member banks, or any bank which agrees to pay checks drawn on it at par (known as clearing member banks), without charge.

(See Federal Reserve Check Collection System.)

When out-of-town checks are collected through regularly established collection agents on a prearranged basis of reciprocity or otherwise, the charge for collection is fixed at the discretion of the collecting bank. (See Domestic Exchange, Free Items.)

COLLECTION CLERK

A bank clerk responsible for discharging the details in connection with the collection of checks, drafts and other items drawn on out-of-town points. Where the volume of out-of-town checks is large, a separate department known as Collection or Transit Department, is created. (See Transit Department.)

COLLECTION DEPARTMENT

The collection department of a bank has functions which are more complicated than those of the clearing and transit departments. Among items handled by the collection department are: presentment for payment of coupons, notes, drafts or acceptances at proper places of presentment; surrendering of documents attached to drafts, etc. upon payment or acceptance; presentment of periodical "file collections" on installment contracts or notes secured by collateral, involving such part payments; and handling of any items, such as checks, notes, drafts and acceptances, which are not collectible by the clearing or transit departments.

Each collection item is given individual care, as mishandling might lead to legal implications. Each collection is given a separate number, which facilitates tracing and reference in correspondence or advices. Items are carefully recorded with complete description. The work of the collection department in large banks is often subdivided into subdivisions as to items or as to local, out-of-town, incoming from other banks, file, and other collections.

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COLLECTION ITEMS

Checks, drafts, notes, or acceptances deposited with a bank for credit only if and when collection and payment is made, as distinguished from Cash Items (q. v.), which are credited to the customer's account upon receipt, but which are subject to cancellation in case of non-payment. Most items deposited are cash items. Collection items are those where some doubt is entertained by the depositor of their eventual payment, and they are therefore accorded individual treatment, each item being given a special number, for the purpose of identification, and a separate deposit slip describing it in detail. Collection items may be divided into four classes: (1) City Collections (q. v.) - items drawn on banks, corporations, or individuals within the City; (2) country collections - items drawn on out-of-town banks, etc.; (3) special collection items, with special documents attached, e. g., bills of lading, mortgages, stocks and bonds; and (4) foreign collections - items drawn on banks, etc., located in foreign countries.

COLLECTION LEDGER

A ledger, also known as "float" ledger, constituting a part of the bookkeeping records of a bank transit department for the purpose of temporarily holding charges to various banks for checks and other items while in transit, or process of collection. Separate ledgers are provided for items forwarded for collection to Federal Reserve banks and those forwarded directly to collecting agents. The collection ledger is usually a Boston or progressive type ledger, with an extra column placed next to the debit column so that the availability date of each posting may be indicated.

By reference to the collection ledger, it is possible to ascertain the amount of items in process of collection through the Federal Reserve check collection system and through country correspondents or collecting agents. These amounts are tied up with the general ledger through the accounts entitled, Due from Federal Reserve bank, Collections, and Due from Banks, Collections, respectively. As items are collected, the collection ledger accounts are credited and the Federal Reserve bank or country correspondent is debited.

COLLECTION LETTER

A letter of transmittal or deposit slip accompanying a collection item, i. e., one to be credited to the sender's account only if and when collected. Collection items are treated individually, given a separate collection number for identification purposes, and only one is listed on a single collection letter.

Collection letters are usually form letters and if complete, contain the following information: name of collecting agent, date forwarded for collection, name of sender (owner), sender's collection number, name of maker or drawer, where payable, maturity date if the item is a note or acceptance, whether the item is to be protested or not, amount, special instructions.

COLLECTION NUMBER

The number assigned to a collection item, in the accompanying collection letter and by which it is identified in subsequent correspondence and the records. (See Collection Letter.)

COLLECTION PERIOD

The number of days that the accounts and notes receivable represent when compared with the annual net sales. Annual net sales represent the volume of business for 365 days. The collection period represents that part of the 365 days which the total of accounts and notes receivable bears to the net sales.

COLLECTION TELLER

A bank teller who supervises the collection of checks and other items deposited for credit only if and when collected. (See City Collection Department, Country Collection Department, Collection Clerk, Transit Department.)

COLLECTIONS

See City Collection Department, Clearing House, Collection Items, Country Collection Department, Coupon Collection Department, Federal Reserve Check Collection System, Federal Reserve Interdistrict Collection System, Messenger, Note Teller, Transit Department.

COLON

See Foreign Moneys- Costa Rica, Salvador.

COLONIAL BILLS

A term which applies to bills of exchange drawn on the colonies of Great Britain, including Australia, South Africa, and the Far East. Since most Australian banks carry balances in London, these bills have a particular-

ly good market in that center, and are payable in sterling.

Colonies of the continental European countries settle their trade balances usually in the currency of the mother country. Bills drawn on the colonial territories of France and Holland are payable in francs and guilders, respectively, and are treated in a manner similar to that accorded British colonial items.

1. An association of individuals or corporations for the furtherance of some project.

2. A trust, pool or other association of two or more individuals or corporations having the objective or monopoly in the manufacture or distribution of a particular commodity. (See Pool, Trust.)

COMMERCE DEPARTMENT

See Department of Commerce.

COMMERCIAL AGENCIES

See Mercantile Agencies.

COMMERCIAL AGENCY REFERENCE BOOKS

See Mercantile Agencies.

COMMERCIAL AGENCY REPORTS

See Mercantile Agencies.

COMMERCIAL BANK

A name given to one of the classes of non-governmental banking institutions under Bank (q. v.). Commercial banks are designed primarily to finance the production, distribution, and sale of goods, i. e., to lend short-term funds, as distinguished from the service of lending long-term or capital funds. The bulk of deposits of commercial banks consists of demand deposits which are invested in short-term loans. National and state banks are the best examples of commercial banks, although in most states trust companies are also permitted to engage in commercial banking. Private banks are usually commercial banks.

COMMERCIAL BAR

See Assay Bar, Export Bar.

COMMERCIAL BILLS

Bills of exchange arising out of commercial transactions as distinguished from clean bankers' bills, travelers' letters of credit, travelers' checks, remittance drafts, finance bills, etc. (See Foreign Bills of Exchange.)

COMMERCIAL BORROWERS

Merchants (wholesalers and retailers) who borrow on short-term notes largely to finance inventories, or who realize on notes and accounts receivable by discounting them.

COMMERCIAL CREDIT

(1) A term used to indicate credit furnished to manufacturers, wholesalers, jobbers, and retailers - those engaged in the manufacture and distribution of commodities. Commercial credit is distinguished from personal, banking, public, agricultural, and investment credit. (See Credit.)

(2) A transaction involving the use of a commercial letter of credit. (See Letters of Credit).

COMMERCIAL CREDIT COMPANIES

Concerns also sometimes known as credit or finance companies, engaged in the business of lending on or buying and collecting installment contracts and open book accounts from manufacturers and merchants. These companies themselves are often substantial borrowers from banks, although their paper itself is not eligible paper within the meaning of Regulation A of the Board of Governors of the Federal Reserve System. (See Assigned Book Accounts.)

COMMERCIAL CREDIT DOCUMENTS

A generic term for instruments used in connection with commercial loans, such as bills of lading, etc. (See Bill of Lading, Trust Receipt, Warehouse Receipt.)

COMMERCIAL DISCOUNTS

This term has two meanings:

(1) Notes given to lending banks by mercantile firms upon which interest is paid in advance.

(2) Cash discounts offered by a seller to a purchaser to encourage the payment of invoices in advance of the maturity allowed by the terms of credit. (See Cash Discount.)

COMMERCIAL EXCHANGE OF PHILADELPHIA

An exchange originally revived for dealing in canned goods futures on May 7, 1934, in the Bourse Building at Philadelphia. This exchange is a revival of the former Corn Exchange Association of Philadelphia established in 1854 and known under that name until 1868, when the present designation was applied.

COMMERCIAL FAILURES

See Failures.

COMMERCIAL LETTER OF CREDIT

See Letters of Credit.

COMMERCIAL LOANS

See Loans.

COMMERCIAL PAPER

All classes of short term negotiable instruments (notes, bills, and acceptances) that arise out of commercial, as distinguished from speculative, investment, Real estate, personal or public transactions; short-term notes, bills of exchange, and acceptances arising out of industrial, agricultural, or commercial transactions, the essential qualities of which are early (three to six months) maturity, automatic or self-liquidating power, and soundness in origin and purpose of use. According to the Federal Reserve Board "this class of paper should represent in every case some distinct step or stage in the productive or distributive process—the progression of goods from producer to consumer."

In a narrower sense, commercial paper consists of notes, etc., maturing in less than one year which are the direct obligations of issuing mercantile or industrial corporations or co-partnerships, and are sold through the medium of note brokers, principally to banks in the larger financial centers, and to a smaller extent to insurance companies and business corporations. Commercial paper denominations range from $2,500 as a minimum to $50,000 or more as a maximum. In order to obtain the widest investment field the most frequent units range between $2,500 and $10,000, $5,000 being the most customary denomination and six months the most customary maturity. Rates vary according to the credit standing of the issuer and money market conditions. Rates early in 1948 ranged from 1 1/4% for

prime names up to 90 days, to 1 3/8% for prime names, 3 to 6 months, and 1 1/2% for lesser known names.

Commercial paper borrowing is for the purpose of buying or carrying stocks of merchandise to be quickly resold, and may be regarded as a convenient method of financing inventory purchases at the seasonal peak. Four classes of commercial paper usually appear in the open market, viz.: (1) unsecured single name, which accounts for most of the total; (2) double name, including trade paper, i. e., promissory notes given in settlement for goods purchased and indorsed by the seller, and non-trade paper bearing indorsement, and (3) collateral notes representing a minor portion of the total outstanding. As reported by dealers, and including some finance company paper sold in the open market, total commercial paper outstanding was $287 million in December, 1947. Volume in recent years has declined in reflection of shortage of paper coming out on the market, as compared with totals of $500 to $800 million outstanding in the middle '20s.

The advantages of issuing commercial paper from the standpoint of the borrower are five-fold:

(1) To obtain cash with which to take advantage of cash discounts offered by trade creditors. Credit terms differ among various trades but almost without exception cash discounts are offered where payment is made in advance of the term allowed. In the wholesale grocery trade, for instance, it is customary to allow 2 per cent. for payment within ten days, or net 30 days. In some trades a better discount may be allowed for spot cash. At any rate, discounts and anticipations frequently range from 12 per cent. to 18 per cent. a year. Since commercial loans are available at anywhere from 2 1/4% to 6%, and 18 per cent. can be gained by taking advantage of cash discounts, a minimum margin at the rate of 12 per cent. is made upon capital invested in merchandise. Cash discounts should therefore always be taken, since money seldom performs a greater earning service.

(2) To establish national credit. Many enterprises which issue commercial paper are nationally known organizations that have created a national market for their product through widespread advertising campaigns. In such cases, the issuing of commercial paper may be an expedient for establishing a national credit reputation.

(3) To keep a reserve of borrowing power at local banks. Local banking connections may not be able (on account of lack of capital),to supply adequate funds, or if able to supply funds perhaps not at as favorable rates as can be secured through the issue of commercial paper. Local money market may be tight, whereas in other sections conditions may be relatively easy. By issuing commercial paper a concern may keep its borrowing power in the local market in reserve for an emergency, and meanwhile can test out various other markets where its commercial paper may be sold at the cheapest rates. Unexhausted bank "lines" should always be sufficient, however, to cover commercial paper borrowings.

(4) To borrow at cheaper rates than is possible at home.

(5) To establish a broader market for the paper than is possible at home. Commercial paper may be sold anywhere, the function of commercial paper houses and note brokers being to find the most advantageous markets.

The advantages of commercial paper from the standpoint of buyers are four-fold:

(1) The risk is relatively slight. Note brokers who distribute commercial paper maintain extensive credit files and paper which they buy is subjected to rigid examination. Note brokers could not long continue in business if commercial paper borrowers from whom they have made purchases, could not meet their maturities. Commercial paper purchases, therefore, are arranged only with concerns which have a firmly established earning power, current assets sufficient to justify the aggregate of borrowing, a reasonably high Current Ratio (q. v.), and a favorable reputation as to personnel, management, and quality of product.

(2) There is no moral obligation to renew commercial paper, i e., insistence on payment at maturity, and refusal to make new loans does not subject the lending bank to the danger of loss of any business advantage. This differs from loans made to a bank's customers which oftentimes must be renewed, where there is no justification for it except as a protection to the bank or as a favor to the borrower.

(3) Commercial paper furnishes a good investment medium when the demand for funds is slight from other sources. Many banks, corporations, and individuals invest in commercial paper because of its soundness and quick convertibility.

(4) Commercial paper often returns a better rate than loans to customers.

The alleged disadvantages of commercial paper purchases are that they are usually single-name paper which does not evidence on its face the purpose for which the proceeds will be used. These disadvantages are more apparent than real wherever the reliability and financial responsibility of the maker are first class.

Commercial paper is usually purchased on an option running from 10 to 20 days. Within this option period the prospective buyer retains the right to return any notes that he regards as undesirable, the purpose of the option period being to give the buyer the opportunity of ascertaining the credit responsibility of the maker. (See Limitations on Bank Loans, Note Brokers.)

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COMMERCIAL PAPER HOUSE

See Note Brokers.

COMMERCIAL PAPER NAMES

A term used among bank credit men in referring to corporations and partnerships which habitually borrow through the open market by issuing commercial paper. (See Commercial Paper.)

COMMERCIAL PARITIES

See Foreign Exchange.

COMMERCIAL STOCKS

Stocks of grain reported at leading grain centers, as reported by the Department of Agriculture. These reports are of interest to the trader in commodities as bearing on the supply and demand situation.

COMMISSION

In general, compensation paid by a principal to an agent for services rendered in that capacity. The charge made by banks or brokers for various services rendered customers. Commissions are charged by

broker members of the various exchanges for buying and selling securities, commodities, etc. Commission schedules for executing orders on the various exchanges are given under titles, as follows: New York Stock Exchange, New York Curb Exchange, New York Cotton Exchange, New York Coffee and Sugar Exchange, Chicago Board of Trade, Commodity Exchange Inc.

Banks charge a commission for acting as custodian, fiscal agent, registrar, stock transfer agent, various trust services, issuing letters of credit, accepting drafts drawn under letters of credit, etc.

Note brokers charge a commission for selling commercial paper and money brokers for placing time loans.

COMMISSION CREDIT BUREAU

A special mercantile agency, the service of which is confined to release of credit information upon textile and dry goods names, including all branches of these trades.

COMMISSION HOUSE

A brokerage concern a member or members of which are also members of a stock or other exchange and executes orders to buy and sell on such exchange or exchanges, as distinguished from exchange members who trade only for their own accounts.

COMMISSION TRADE

A transaction in which the legal relationship is that of principal (customer) and agent (broker), and in which the broker is compensated for his services by a commission. No commission is charged in transactions wherein a dealer acts as principal in the transaction with the customer, or where the broker acts solely as agent for another. Commissions charged customers on transactions on security and commodity exchanges are regulated by minimums established by the exchanges. (See Commission.)

COMMISSIONER OF BANKING

See State Banking Department.

COMMISSIONS, SCHEDULE OF

See Commission.

COMMITMENT

A pledge or engagement; a contract involving financial responsibility or a contingent financial obligation to be performed in the future, e. g., an obligation to pay for subscribed stock on call, to take up bonds subscribed or purchased on the delivery date, or orders entrusted to a broker for buying and selling securities.

COMMITTEE IN LUNACY

A person appointed by a court, usually upon the initiative of relatives, to administer the affairs and protect the estate of a person adjudged to be a lunatic. The term is synonymous with Conservator (q. v.), the terminology used varying among the states.

COMMODITIES

About 31 commodities are now provided with organized futures markets. For grains and cotton these markets have existed for approximately 100 years. Coffee and sugar futures markets have been in existence since 1877. However, most of the futures markets have been organized within comparatively recent years, and include butter, copper, cocoa, cottonseed oil, cottonseed meal, eggs, hides, lard, lead, onions, pepper, potatoes, rubber, silk, soy beans, soy bean meal and oil, tin, wool tops, and zinc.

See under Chicago Board of Trade, Chicago Mercantile Exchange, Commercial Exchange of Philadelphia, Commodity Exchange, Inc., New Orleans Cotton Exchange, New York Cocoa Exchange, New York Coffee and Sugar Exchange, New York Cotton Exchange, and New York Produce Exchange.

COMMODITY CREDIT CORPORATION

A Government corporation, incorporated in Delaware in 1933 by authority of the National Industrial Recovery Act, for an original term of two years. By successive amendments to the Act of January 31, 1935, the corporation's life has been extended to June 30, 1948; and further extensions will no doubt occur in view of the corporation's importance as a supporter of agricultural commodity prices. The Delaware charter is a broad one, empowering the corporation to engage in buying, selling, lending and other activities with respect to agricultural commodities, producers thereof and related facilities.

Original capital was $3,000,000, which was increased to $100,000,000 in 1936. Under legislation enacted in 1938, the Secretary of the Treasury must restore any impairment of capital below the $100,000,000 level as of June 30th each year. Borrowing power of the corporation is limited to $4,750,000,000, and obligations issued are guaranteed by the United States. An assured market is provided for the corporation's obligations by the provision that the Secretary of the Treasury is authorized to buy any obligations if not sold in the security markets. As of June 30, 1947, obligations outstanding totaled $40,000,000.

In 1939, the corporation was transferred to the Department of Agriculture, and it thereafter became the basic financing agency in the Production and Marketing Administration created by the Secretary of Agriculture in 1945 to centralize these activities.

As of June 30, 1947, total assets were $1,436,000,000, making the Commodity Credit Corporation the largest credit agency in the Department of Agriculture. As of that date, cash totaled $533 million; loans receivable, $110 million; commodities, supplies and materials, $369 million; other assets, $63 million. Obligations outstanding, all guaranteed by the United States, totaled $40 million; other liabilities, $695 million; and net worth, all owned by the United States Government, $700 million.

Under the various enabling statutes, the corporation makes mandatory loans on the 6 basic commodities, which are cotton, corn, wheat, tobacco, rice and peanuts (used as nuts); and also on the 14 non-basic or "Steagall" commodities, which are hogs, eggs, chickens, (with certain exceptions), turkeys, milk, butter-fat, dry peas and edible beans of various varieties, flaxseed, soy beans and peanuts for oil, potatoes, cured sweet potatoes, American-Egyptian cotton. In addition, after providing for the mandatory commodities, loans on other commodities: wool, naval stores, sugar beets, sugar cane, fruits and vegetables for processing, etc. Support loans on the 6 basic commodities are made at 90% (92-1/2% for cotton) of parity, which ratios under present statutes continue through December 31, 1948, when unless extended, the original ratios of 52%-75% in the Agricultural Adjustment Act of 1938 will reapply. Loans on the Steagall commodities would also cease on December 31, 1948 unless extended, and are also of the

non-recourse type as on the basic commodities, involving no required redemption by the producer if the market declines, but giving the corporation the right to call the loan at any time and take over the commodity. The corporation also acts as purchasing agent for various Government procurement programs, and as agent in import and export activities. (See Agricultural Adjustment Act of 1938, Basic Commodities, Department of Agriculture, Farm Credit Administration, Production and Marketing Administration.)

COMMODITY EXCHANGE ACT

An Act, amendatory and auxiliary to the Grain Futures Act, and approved June 16, 1936. The Act created a Commodity Exchange Commission (consisting of the Secretary of Agriculture, Secretary of Commerce, and the Attorney General), whose functions in regulating commodity exchanges dealing in future contracts are similar to those of the Securities and Exchange Commission in regulating security exchanges. The Commodity Exchange Commission is given broad powers to regulate commodity trading in "contract markets," and to prevent abuses of over speculation, manipulation, bucketing, wash sales, cheating, and false reports. Commodities affected are wheat, cotton, rice, corn, oats, barley, rye, flaxseed, grain, sorghums, mill feeds, butter, eggs and Irish potatoes.

The Act requires futures commission merchants and brokers to register with the Secretary of Agriculture and to keep customers' deposits carefully separated on their books from their own funds and be prepared at all times to account for such deposits separately. All registrations shall expire on December 31 of the year for which issued and shall be renewed upon application unless the registration has been suspended or revoked after notice and hearing. Exchanges and warehouses where commodities are stored for future delivery shall be open to inspection, together with their records, by representatives of the Departments of Justice and Agriculture. Records of trades must be kept three years.

Provides that trading may be suspended for six months on any Exchange which fails to comply with any provision of the act.

All provisions of the act authorizing the registration of futures commission merchants and floor brokers, the fixing of fees and charges therefor, the promulgation of rules, regulations, and orders and the holding of hearings precedent to the promulgation of rules, regulations and orders, took effect immediately. All other provisions of the act took effect on September 14, 1936.

The Commission has power to fix limits of trading in order to curb excessive speculation. At the outset the Commission fixed 200,000 bushels in any one grain future as the maximum position for a single house or customer; positions in excess of that amount must be reported as special. The Commission has since set limitations on both the amount of speculative trading permitted to any one person for any one day; and on amount of the speculative net position held at any one time. Reports are required of daily transactions in grain (volume), and amount of open contracts outstanding. Violations of the act are termed a misdemeanor and subject to a fine not exceeding $10,000, or imprisonment for one year, or both. Administrators of the Act claimed that its purpose is to prevent abuses, and is not calculated to work a hardship on commission houses doing business in a legitimate manner.

COMMODITY EXCHANGE, INC.

The successor, by merger in 1933, of the facilities of four former commodity exchanges, to wit:

New York Hide Exchange
National Metal Exchange
National Raw Silk Exchange
New York Rubber Exchange

This exchange, located at 81 Broad Street, New York City, was opened for the business of dealing in futures in crude rubber, raw silk, hides, silver, copper and tin. Trading in silver futures was discontinued in 1934, following the nationalization by the United States of silver. Since organization of the Commodity Exchange, Inc., futures markets in lead and zinc have been added. Because of shortages, futures trading in copper, lead, silk, tin and zinc has had to be temporarily suspended.

The merger of the four Exchanges created one central market on which forces of supply and demand are centered, thus providing not only a broader market, but one which offered the greatest conveniences for traders and dealers in each commodity.

Among the advantages which this consolidation offered were the following:

1. An increased value for hedging operations to the producer, dealer and consumer.
2. A broader market through the concentration of active trading in several commodities on one floor.
3. Enhanced liquidity and greater facility in financing operations.
4. Concentration of buyers and sellers from all sections of the world in one market-place, tending to establish true representative values in price terms of the commodities dealt in.
5. Enlarged and more serviceable facilities for all who are interested in the marketing of the several commodities.

Memberships in the Exchange are held by individuals who represent a cross-section of the rubber, silk, hide and metal trades and most of the well-known brokerage and commission firms. Among the trade members are leading producers, merchants and manufacturers. Only individuals are eligible for membership on the exchange. A partnership, if a general partner thereof is a member of the exchange, or a corporation, an executive officer of which is a member, may have their business transacted at the rates of commissions for members. A member cannot confer this privilege of his membership upon more than one firm or corporation at any one time. Membership of the exchange is divided into six groups, as known as the Rubber Group, the Silk Group, the Hide Group, the Metals Group, the Commission House Group, and the Non-Trade Group.

The Exchange is managed by a Board of Governors elected from the Hide, Metal, Rubber, Silk, and Commission House Groups. Commissions to non-members for buying or selling per contract are twice the rate for members, and run at the following rates: copper, $30 when price is 20¢ or above (graduated according to price); hides, $20 when price is 10¢ per lb. and over (graduated according to price); lead, $15; rubber, $20; silk, $14.50 when price is $1.75 to $2.24-1/2 per lb. (graduated according to price); tin, $15; and zinc, $15.

See Copper, Hides, Lead, Futures, Rubber, Silk Tin, Zinc Futures.

COMMODITY EXCHANGES

Organized markets for futures contracts in commodities, which also conduct cash or spot trading.

The Commodity Exchange Act (q. v.) places under regulation of the Commodity Exchange Commission and Commodity Exchange Administration futures markets in cotton, wheat, corn, rye, oats, barley, grain, sorghums, soy beans, lard, cottonseed oil, soy bean oil, butter, eggs, potatoes, mill feeds, cottonseed meal, soy bean meal, flaxseed, peanuts, peanut oil, rice, tallow, and wool tops (not wool). Leading commodities and principal futures markets therefor are:

COMMODITY	COMMODITY EXCHANGE
Barley	*Minneapolis Grain Exchange
	*Chicago Board of Trade
Butter	*Chicago Mercantile Exchange
Cocoa Beans	N. Y. Cocoa Exchange
Coffee	N. Y. Coffee and Sugar Exchange
Copper	Commodity Exchange, Inc.
Corn	*Chicago Board of Trade
	*Kansas City Board of Trade
Cotton	*N. Y. Cotton Exchange
	*New Orleans Cotton Exchange
	*Chicago Board of Trade
Cottonseed Meal	*Memphis Merchants Exchange
Cottonseed Oil	*N. Y. Produce Exchange
	*New Orleans Cotton Exchange
Eggs	*Chicago Mercantile Exchange
Flaxseed	*Minneapolis Grain Exchange
Grain Sorghum	*Kansas City Board of Trade
Hides	Commodity Exchange, Inc.
Lard	*Chicago Board of Trade
Lead	Commodity Exchange, Inc.
Oats	*Chicago Board of Trade
	*Minneapolis Grain Exchange
	*Kansas City Board of Trade
Onions	Chicago Mercantile Exchange
Pepper (Black)	N. Y. Produce Exchange
Potatoes	*Chicago Mercantile Exchange
	*N. Y. Mercantile Exchange
Rubber (Crude)	Commodity Exchange, Inc.
Rye	*Chicago Board of Trade
	*Minneapolis Grain Exchange
Silk (Raw)	Commodity Exchange, Inc.
Soy Beans	*Chicago Board of Trade
Soy Bean Oil	*N. Y. Produce Exchange
Soy Bean Meal	*Memphis Merchants Exchange
Sugar	N. Y. Coffee and Sugar Exchange
Tin	Commodity Exchange, Inc.
Wheat	*Chicago Board of Trade
	*Kansas City Board of Trade
	*Minneapolis Grain Exchange
Wool Tops	*Wool Associates of the N. Y. Cotton Exchange
Wool	Wool Associates of the N. Y. Cotton Exchange
Zinc	Commodity Exchange, Inc.

*Under regulation of Commodity Exchange Administration.

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COMMODITY PAPER

As originally defined by the Federal Reserve Board (Regulation A, Series of 1917) commodity paper is a "note, draft, bill of exchange, or trade acceptance accompanied and secured by shipping documents or by a warehouse terminal, or other similar receipt, covering approved and readily marketable, non-perishable staples properly insured."

In later revisions of Regulation A, the elements of commodity paper are governed by the term "sight drafts secured by bills of lading". A Federal Reserve Bank may discount for any of its member banks bills of exchange payable at sight or on demand which: a. are drawn to finance the domestic shipment of non-perishable, readily marketable, staple agricultural products; and b. are secured by bills of lading and other shipping documents conveying or securing title to such staples.

COMMODITY PRICES

Prices for commodities are quoted either on a cash ("spot") basis, or on a future basis, the difference being measured by the carrying charges involved in carrying the commodity for the period of the future delivery.

Base period prices of commodities are those which prevailed for a particular past period specified in legislation, and which multiplied by the parity index, determine the parity prices for the commodities. Government loans for support and stabilization purposes to producers and others are made at legislatively specified ratios of parity prices, generally 90% of parity. Ceiling or maximum prices were imposed by the Office of Price Administration during World War II on most spot commodities and also on various futures markets (no ceilings set on cotton and rye futures, for example).

Farm prices are the average prices received by farmers for all grades of a commodity sold on the 15th of each month, and are reported monthly by the Department of Agriculture. Average prices received by farmers for grains, for example, compare as follows:

	Cents per bushel				
Year	Wheat	Corn	Oats	Barley	Rye
1925	162.0	112.0	54.0	82.4	126.2
1930	107.5	77.3	43.1	53.9	85.7
1935	89.3	85.3	54.6	80.2	73.1
1937	123.6	100.6	52.7	90.4	97.9
1938	88.6	52.2	30.0	54.0	64.1
1939	57.1	45.1	26.3	38.0	34.7
1940	84.5	53.2	36.3	45.9	56.7
1941	73.0	56.0	33.3	42.5	43.6
1942	106.1	72.7	50.2	60.8	65.2
1943	117.5	88.0	52.5	68.3	61.3
1944	146.0	113.0	77.5	108.0	111.0
1945	146.0	107.0	72.1	102.0	109.0
1946	154.0	110.0	71.7	109.0	150.0
1947	191.0	121.0	79.6	136.0	218.0

Source--U. S. Department of Agriculture

(See Base Period Prices, Ceiling Prices, Parity Index, Parity Prices, Spot Prices.)

COMMODITY RATE

The rate of interest charged upon commodity paper. (See Commodity Paper.)

COMMON CARRIER

A company authorized to undertake transportation as a regular business, e. g., railroads, steamship companies, express companies, traction lines, etc. Common carriers are subject to the basic law of public callings and as such must (1) furnish services to all who apply;

(2) provide adequate facilities for all; (3) charge reasonable rates; and (4) charge equal (non-discriminatory) rates. This law is also applicable to all public service corporations.

COMMON SIZE STATEMENT

The 100% of common size statement facilitates credit analysis and comparison of statements by reducing all items in assets and liabilities to a percentage of the total assets and total liabilities. This method enables the analyst to compare quickly the current statement with past statements for a single company, and to compare the subject company with other companies, large or small, as the common size statement reduces the individual asset or liability dollar figures to a common comparable basis of percentages. Customarily, in common size comparison forms, the dollar amounts are shown side by side with the common size percentages, as the dollar amounts have an interest and validity of their own. (See Statement Analysis.)

COMMON STOCK

That part of the capital stock of a corporation which represents the last claim upon assets and dividends, as distinguished from Preferred Stock (q. v.). Dividends upon common stock may not be paid until interest upon all bonds, floating indebtedness, and dividends on preferred stock issues, have been met. Common stockholders bear the greatest risk, but usually have the greatest control, and are entitled to the largest profits, if earned, since dividends are contingent upon earnings.

The value of common stock usually is subject to wide fluctuations, due to variations in earnings. Common stock must therefore be classified as a speculation rather than an investment as a general proposition, depending upon soundness and seasonability. For the tests of soundness of stocks, see Industrial Stocks.

In England shares of common stock are known as ordinary shares. (See Capital Stock, Stock, Stock Certificate.)

COMMUNISM

Literally, common or collective ownership of property; the abolition of private property, individual initiative and profits. The implements of production, land, mineral deposits, utilities, etc., would be owned by the local or central government, and the products be distributed on the basis of need. Except on a small scale, and as trial "utopias," a complete communistic state has never been in practical operation, although post-revolutionary Russia exemplifies the nearest approximation thereto. In Russia, however, private property and trade for profits under certain restrictions is allowed under the "N. E. P." (New Economic Policy) announced in August, 1921. Moreover, recognition is made of differential skills and wage-payments.

Modern communism finds its origin in the "scientific socialism" of Karl Marx (1818-1883), whose monumental work "Das Kapital" and his Communist Manifesto have become the "bible" of modern communists, including those of Soviet Russia. Marx's scientific socialism is based on a materialistic, or economic, interpretation of history. Capitalism, according to Marx, breeds within itself the term of its own destruction by withholding from the workers sufficient of the product of industry to purchase the goods which the instruments of production are capable of turning out. Wherefore, a class struggle eventually would develop between the capitalist-owners of the means of production, and the wage-earners dependent upon the capitalists for the opportunity to work and a livelihood. Accordingly, the conflict would end by a social revolution when the means of production would be taken over or "nationalized" for the benefit of all.

COMMUNITY TRUST

A form of charitable trust under which gifts and money bequests are received to be applied for public purposes and administered by a bank or trust company in conjunction with an advisory board of citizens. The Community trust plan was first developed in Cleveland, Ohio, in 1914.

The community trust makes available a plan combining assurance of the effectual utilization of bequests, with adequate flexibility to adapt itself to changes which history demonstrates are sure to occur. It provides a means of meeting the varying conditions of coming years, conceding to each generation a measure of ability to administer wisely its own affairs rather than attempting what has so often failed; to divine in detail the needs and problems of all the future. It gives new significance and opportunity to the ownership of wealth. It guarantees to donors of funds a proper custody, proper management and proper distribution of income. It affords a means for the application of an accumulated fortune, in whole or in part, to the permanent service of the community. In short, it makes wealth more respected and respectable by insuring its usefulness.

The New York Community Trust was created in February, 1920, for the following purposes:

(1) The creation and development of a better community spirit and the carrying out of community purposes not otherwise possible; (2) the preservation of the principal and the proper investment and reinvestment of the funds bequeathed by charitable donors through the security of the institutions acting as trustees; (3) the ability of the trust, through its broad powers, without unreasonable delay and expense, to divert to live charities, funds left to an originally worthy, but later obsolete philanthropy; (4) the opportunity for men of small means, with no direct descendants, to make contributions to a common community fund; (5) the opportunity for men of large means, after having cared for their own, to provide that a portion of their wealth, or the residuum of their estates after the death of individual beneficiaries, shall remain intact, the income to be used for community purposes. (See trusts.)

COMPANY

See Controlling Company, Corporation, Holding Company, Investment Company, Joint-Stock Company, Operating Company, Parent Company, Trust Company.

COMPARATIVE STATEMENT FORM

A form used by bank credit men (analysts) in the process of investigating a credit risk. Such forms are not standardized, although the form approved by the Committee on Credit Systems of the Robert Morris Associates has come to be used by many banks. The purpose of the form is to permit a rearrangement and reclassification of the items appearing on a balance sheet submitted by a prospective borrower in such a way as to indicate what seems to the bank the truest exhibit of the borrower's condition. By comparing one period with another, the rate of growth or of retrogression, and changes in the amounts of the separate assets, liabili-

ties, and equities, can be pictured. (See Statement Analysis.)

COMPARATIVE STATEMENTS

Financial and income statements for consecutive years used as a basis for noting the progress or regress of a business applying for credit. (See Statement Analysis.)

COMPARISON SLIP

See Comparisons.

COMPARISONS

A periodic, reciprocal statement of purchases and sales occurring between brokers, or between brokers and bankers for collaterals held by a bank against brokers' loans, in order to determine the accuracy of the records of each. Brokerage comparisons are made daily by means of slips exchanged between the transacting brokers. Brokerage comparisons with banks are customarily made monthly by means of a reciprocal statement of collaterals held against a loan.

COMPENSATED DOLLAR

See Stabilized Dollar.

COMPENSATING BALANCES.

In connection with the extension of credit to a borrowing customer, the customary practice of commercial banks is to require an average balance of usually about 20% of the amount of the loan. Thus, when a loan credit is made to a customer's account, the customer may draw up to 80% of the amount of the credit. The practice developed over the years in order to maintain a relation between such derivative deposits or manufactured credit, and cash reserves. Maintaining compensating balance does not add to reserves or lending power of the bank, but does make available that much in remaining cash reserves not checked out, for the accommodation of other borrowing customers, and is usually explained on this ground of reciprocity. (See Average Loan and Balance File.)

COMPENSATION

Payment for services or goods. In law, the payment of damages to make an injured party whole; the money relief afforded an injured employee under Workmen's Compensation Acts.

COMPOUND ARBITRATION OF EXCHANGE

See Arbitration of Exchange.

COMPOUND INTEREST

See Interest.

COMPTROLLER

The officer of a bank who supervises the bookkeeping, accounting, auditing, and reporting procedure, and who is responsible for initiating improvements in the accounting and auditing methods. All reports, internal statistics, and data concerning the financial condition should be prepared or approved by him; and to be most effective he should report directly to the president or chairman of the board of directors. He should also be responsible for controlling all financial records and for providing a system of internal check that will guard against inaccuracies and fraud.

The comptroller must have a thorough knowledge of bank organization and operations, banking principles and law, as well as a knowledge of accounting and auditing technique. (See Comptroller of the Currency, Comptroller's Call.)

COMPTROLLER OF THE CURRENCY

An office created by the National Bank Act, the function of which is to authorize the establishment of, and to supervise and control National banks. Applications to organize all National banks are made to the Comptroller of the Currency and all National bank examinations are supervised from his office. National banks are required to make at least three annual reports to the Comptroller of the Currency and to submit to at least two regular examinations by the National bank examiners each year. The Comptroller of the Currency is under the general direction of the Secretary of the Treasury. (See Comptroller's Call.)

COMPTROLLER'S CALL

Every national bank shall, in accordance with Section 5211 of the Revised Statutes, make to the Comptroller of the Currency not less than 3 reports during each year, according to the form prescribed by the Comptroller. These reports shall be verified by the oath or affirmation of the president, or of the cashier, or of a vice-president, or an assistant cashier of the national bank designated by its board of directors to verify such reports in the absence of the president and cashier, taken before a notary public, and attested by the signature of at least 3 of the directors.

Each such report shall exhibit in detail and under appropriate headings the resources and liabilities of the national bank at the close of business on any past day specified by the Comptroller in his call. The report shall be transmitted to the Comptroller within 5 days after the receipt of a request or call therefor from the Comptroller. The statement of resources and liabilities, together with the acknowledgment and attestation in the same form in which it is made to the Comptroller, shall be published in a newspaper published in the place where the national bank is established, and proof of such publication shall be furnished.

The Comptroller also has the power to call for special reports from any particular national bank whenever in his judgment the same are necessary in order to obtain a full and complete knowledge of its condition.

The same requirements apply also to each of the national bank's affiliates other than member banks, to the end that the Comptroller be enabled to inform himself as to the effect of such affiliates upon the affairs of the national bank. Any national bank which fails to obtain and furnish any such reports required shall be subject to a penalty of $100 for each day that such failure continues. In practice, the bank is given a reasonable time to prepare and submit such reports.

Prior to June 21, 1917, state member banks were required to submit their reports to the Comptroller of the Currency, the same as national banks. State member banks now submit their reports to the Federal Reserve Banks. Each national bank sends a copy of its call report to its Federal Reserve Bank in addition to the official copy sent to the Comptroller.

COMPTROLLER'S REGULATION

The term applied to the regulation issued by the Comptroller of the Currency, effective July 1, 1938, regulating national bank purchases of investment securities pursuant to paragraph seventh of Section 5136, Revised

Statutes. Substantive portion of the regulation reads as follows:

An obligation of indebtedness which may be purchased for its own account by a national bank or State member bank of the Federal Reserve System, in order to come within the classification of "investment securities" within the meaning of paragraph Seventh of Section 5136, must be a marketable obligation, i. e., it must be salable under ordinary circumstances with reasonable promptness at a fair value; and with respect to the particular security, there must be present one or more of the following characteristics:

(a) A public distribution of the securities must have been provided for or made in a manner to protect or insure the marketability of the issue; or,

(b) Other existing securities of the obligor must have a public distribution as to protect or insure the marketability of the issue under consideration; or,

(c) In the case of investment securities for which a public distribution as set forth in (a) or (b) above cannot be so provided, or so made, and which are issued by established commercial or industrial businesses or enterprises, that can demonstrate the ability to service such securities, the debt evidenced thereby must mature not later than ten years after the date of issuance of the security and must be of such sound value or so secured as reasonably to assure its payment; and such securities must, by their terms, provide for the amortization of the debt evidenced thereby so that at least 75% of the principal will be extinguished by the maturity date by substantial periodic payments: Provided, that no amortization need be required for the period of the first year after the date of issuance of such securities.

Where the security is issued under a trust agreement, the agreement must provide for a trustee independent of the obligor, and such trustee must be a bank or trust company.

The purchase of "investment securities" in which the investment characteristics are distinctly or predominantly speculative, or the purchase of securities which are in default, either as to principal or interest, is prohibited.

Purchase of securities convertible into stock at the option of the issuer is prohibited.

Purchase of securities convertible into stock at the option of the holder or with stock purchase warrants attached is prohibited if the price paid for such security is in excess of the investment value of the security itself, considered independently of the stock, purchase warrants or conversion feature. If it is apparent that the price paid for an otherwise eligible security fairly reflects the investment value of the security itself and does not include any speculative value based upon the presence of a stock purchase warrant or conversion option, the purchase of a security is not prohibited. (See Bank Examination, Examination Procedure.)

CONCESSION

This term has three meanings:

(1) A shading or decrease in the market price of securities.

(2) A reduction in the price of a security offered to a bank or investment house which retails securities by a syndicate wholesaling securities, from the public offering price. The concession below the public offering price represents the profit to the investment dealer.

(3) The right granted to a lessee to use property of the lessor for certain purposes for a stipulated period. More broadly, any grant or lease of a property privilege made by a government for political or economic advantage to a foreign corporation or association to enable it to exploit mineral resources, to build canals or railroads, etc.

CONDENSED STATEMENT OF CONDITION

In bank statements of condition, the voluntarily published non-legal type of statement of condition, in which the individual items of resources and liabilities and groupings thereof may vary considerably from those specified from the legal or call report.. (See Bank Statement, Call Report.)

CONDITION OF MEMBER BANKS

Each Wednesday, the Board of Governors of the Federal Reserve System releases for publication the Condition of Weekly Reporting Member Banks in Leading Cities. The latest series, effective with the July 2, 1947 statement, increased and improved coverage. The number of banks reporting was increased from 371 to 441. The percentage of total commercial bank deposits represented by the series was increased from 49% to 57%, and the percentage of total member bank deposits represented was increased from 57% to 67%. The new weekly reporting series includes over 98% of the deposits of central reserve city banks, and 96% of the deposits of reserve city banks, as well as 17% of the deposits of all country member banks. Although the nominal number of cities represented was reduced from 101 to 94, therefore, the coverage was increased and improved. Figures for banks in New York City and Chicago continue to be released on the Thursday afternoon following the Wednesday report date.

The weekly condition report as of March 3, 1948, showing net change compared with preceding week and same week a year ago, is on page 140.

CONDITIONAL INDORSEMENT

See Indorsement.

CONFIDENCE MEN

Professional swindlers. (See Bunco, Swindling.)

CONFIRMATION

An order or agreement in writing to verify or confirm one previously given verbally, or by telephone or telegraph. Executions of orders to buy or sell securities are confirmed in writing by brokers to their customers.

CONFIRMED CREDIT

A letter of credit which cannot be cancelled or modified without the consent of both buyer and seller. (See Letters of Credit.)

CONSERVATOR

(1) The name given in some states to a person appointed by a court to manage the estate of an incompetent or lunatic in much the same way as a guardian administers the affairs of a ward. The conservator is charged with preserving the property and keeping it on a conservative income basis and is required to make frequent statements to the court. The death of the lunatic terminates the conservatorship.

(2) Under the Emergency Banking Relief Act, approved March 9, 1933, the Comptroller of the Currency

PRINCIPAL ASSETS AND LIABILITIES OF MEMBER BANKS

WASHINGTON, March 10 - A summary of the principal assets and liabilities of reporting member banks and of debits to demand deposit accounts follows:

(In Dollars)

ASSETS

		-------Net Change Since -----	
	Mar. 3, 1948	Feb. 25, 1948	Mar. 5, 1947
Loans and investments-total	63,494,000,000	- 563,000,000	- 193,000,000
Loans-total	23,439,000,000	- 171,000,000	+3,912,000,000
Commercial, industrial and agricultural loans	14,540,000,000	- 51,000,000	+2,630,000,000
Loans to brokers and dealers for purchasing or carrying:			
United States Government obligations	476,000,000	- 56,000,000	+ 29,000,000
Other securities	355,000,000	- 47,000,000	- 77,000,000
Other loans for purchasing or carrying:			
United States Government obligations	285,000,000	- 9,000,000	- 307,000,000
Other securities	479,000,000	.....	- 19,000,000
Real estate loans	3,569,000,000	+ 4,000,000	+ 912,000,000
Loans to banks	233,000,000	- 20,000,000	+ 82,000,000
Other loans	3,502,000,000	+ 8,000,000	+ 662,000,000
Treasury bills	2,048,000,000	- 108,000,000	+1,029,000,000
Treasury certificates of indebtedness	3,972,000,000	+ 857,000,000	+1,346,000,000
Treasury notes	2,559,000,000	- 40,000,000	- 935,000,000
U. S. bonds (including guaranteed obligations)	27,266,000,000	-1,145,000,000	-3,062,000,000
Other securities	4,210,000,000	+ 44,000,000	+ 209,000,000
Reserve with Federal Reserve Banks	12,957,000,000	+ 661,000,000	+1,517,000,000
Cash in vault	721,000,000	- 94,000,000	+ 19,000,000
Balances with domestic banks	2,301,000,000	+ 14,000,000	- 33,000,000
LIABILITIES			
Demand deposits - adjusted	47,296,000,000	- 263,000,000	+2,294,000,000
Time deposits	14,762,000,000	+ 34,000,000	+ 474,000,000
United States Government deposits	1,083,000,000	+ 81,000,000	-1,279,000,000
Inter-bank deposits:			
Domestic banks	9,026,000,000	+ 202,000,000	- 555,000,000
Foreign banks	1,361,000,000	- 7,000,000	+ 25,000,000
Borrowings	220,000,000	- 38,000,000	+ 52,000,000
Debits to demand deposit accounts, except inter-bank and United States Government accounts during current week	22,869,000,000	.....	.....

was empowered to appoint conservators for any national bank when considered necessary to conserve its assets. The conservator was empowered to allow such withdrawals by existing depositors on a ratable basis as the Comptroller might decide as safe, and to receive new deposits which would be segregated and subject to unrestricted withdrawal. The same Act permitted the reorganization of national banks, if necessary, upon approval of the Comptroller, and either of depositors holding 75% of total deposits or holders of 2/3rds of the outstanding stock or both.

CONSIGNEE

One to whom merchandise is forwarded or shipped. In freight shipments the consignee is notified by an arrival notice from the transportation company. In parcels post and express shipments, delivery is made directly to the consignee.

CONSIGNMENT

In a general sense a shipment of goods from the consignor to consignee whether the consignor is owner or merely acts as agent in their sale. In a narrower sense a shipment of goods to a commission merchant who acts as agent for the owner or for the owner and consignor, for the purpose of immediate sale according to the consignor's instructions and for his account. (See Account Sales.)

CONSIGNOR

A shipper or sender; one who ships merchandise. The consignor takes a bill of lading, express or parcels post receipt, as evidence of his shipment.

CONSOLIDATED ANNUITIES

Same as Consols (q. v.).

CONSOLIDATED BONDS

See Consolidated Mortgage Bonds.

CONSOLIDATED FIRST MORTGAGE BONDS

Bonds secured by a first mortgage on consolidated property; sometimes a misnomer for consolidated Mortgage Bonds (q. v.).

CONSOLIDATED MORTGAGE

A mortgage upon an entire unit of real property formed by the consolidation of several smaller parcels. A consolidated mortgage is not necessarily a first mortgage. It may be a first mortgage on some of the parcels

entering into the consolidated property and a second or even third mortgage upon other parcels.

CONSOLIDATED MORTGAGE BONDS

Bonds secured by a consolidated mortgage. These bonds are frequent among railroad securities, and are distinguished from divisional bonds in that the latter are secured by separate railroad properties. Consolidated mortgage bonds are similar to general mortgage bonds, and are secured by a first mortgage upon a part, and a second or other mortgage upon other parts of the company's property.

CONSOLIDATED STOCK EXCHANGE

See New York Consolidated Stock Exchange.

CONSOLIDATION OF BANKS

Under the Act of November 7, 1918, as amended by the Banking Acts of 1933 and 1935, any state bank may be consolidated with a national bank. Upon such a consolidation, or of two or more national banks the corporate existence of each of the constituent banks and national banks participating in the consolidation shall be merged into and continued in the consolidated national bank, and all of the rights, franchises and interests of each of the constituent banks and national banks in and to every species of property shall be deemed to be transferred to and vested in the consolidated national bank without any court order, deed or other transfer. This includes all rights and interests as trustee and in other fiduciary capacities as previously held or enjoyed by any constituent institution at the time of consolidation.

After approval of the Comptroller of the Currency has been obtained the consolidation agreement has been signed by the directors, approval of 2/3rds of the stockholders concerned is necessary or higher ratio if the State law so requires. Any dissenting stockholder may upon due notice and demand receive the appraised value of his stock.

The Comptroller in his instructions on consolidations has listed three possible methods of consolidation:

1. The buying bank without any increase in its own capital may absorb the assets and assume the liabilities of the liquidated bank, and pay the value of the net assets over liabilities to stockholders of the liquidated bank.

2. The dominant bank may increase its own capital by amount equal to capital of the passive bank, and offer the increased stock to the stockholders of the passive bank with consent of its own stockholders, after paying the stockholders of the passive bank the value of their stock.

3. The banks involved may be placed in voluntary liquidation, and a new bank organized to take over the business of the liquidated banks. (See Branch Banking.)

CONSOLS

A market name for perpetual British Government bonds.

The term is derived as a contraction of consolidated annuities and consolidated stock (Government bonds commonly being known as stock in England and the Continent). Consols represent the premier investment of England, just as the Government bonds of this country are the highest grade investments here. Their price is regarded as one of the chief barometers of British public credit. Most of the consols are in registered form, although bearer bonds with coupons are obtainable. (See United States Bonds.)

CONSTRUCTIVE SIDE OF THE MARKET

An expression used to denote the position taken by those who believe that business and financial conditions warrant an advance in security values and who therefore purchase securities to hold for higher prices. The "bull" side of the market.

CONSULAR INVOICE

A document usually certified in triplicate at the shipping point by a consul of the country of the destination of the shipment and forwarded by such consul to the customs officials of the port of destination. The consular invoice contains the information usually given in a seller's invoice - quantity and value - and its purpose, when required, is to inform the customs officials of the port of entry the nature of the imports expected so that they can be verified and possible fraud prevented. Imports cannot be released from the port of entry until the consular invoice has arrived unless the importer executes a bond of indemnity.

CONSUMER LOANS

See Small Loan Business.

CONTANGO

See Backwardation.

CONTANGO DAY

The first day of the fortnightly settlement on the London Stock Exchange.

CONTINENTAL BILLS

Bills of exchange drawn on banks located in European countries other than Great Britain.

CONTINENTAL CURRENCY

The Currency of European countries other than Great Britain.

CONTINENTAL RATES

Rates quoted for currencies and bills of exchange drawn on banks located in European countries other than Great Britain.

CONTINGENT FUND

In general, a fund set aside out of earnings to provide for emergencies; e. g., unexpected operating losses, shrinkage in value of inventories, damage claims, etc., or with which to provide for expansion in plant and equipment when a favorable opportunity arises; a business reserve.

The term "contingent fund" involves usually a confusion in the use of the terms "reserve fund" and "reserve". The better accounting practice is to consider a "fund" as"a sum of money or its equivalent employed in, set aside for, or available for a specific or general purpose" (Committee on Terminology of the American Institute of Accountants), and actually covered on the assets side of the statement by a corresponding segregated asset. Therefore, a "reserve" should denote merely an earmarked portion of surplus, without covering segregated asset.

In the New York State Savings Bank law this term was formerly employed for the present term Guaranty Fund (q. v.). Its function is to operate as reserve against losses and to provide for expenses after undi-

vided profits are exhausted.

In railroad accounting, the term "contingent reserve fund" occurs in the controversial recapture provisions of the Transportation Act of 1920, which provided that if any carrier "receive for any year a net railway operating income in excess of 6% of the value of the railway property held for and used by it in the service of transportation, one-half of such excess shall be placed in a reserve fund established and maintained by such carrier, and the remaining one-half thereof shall be recoverable by and paid to the Commission (Interstate Commerce Commission) for the purpose of establishing and maintaining a general railroad contingent fund." The fund thus recaptured by the Government was to be used "in furtherance of the public interest in railway transportation either by making loans to carriers to meet expenditures for capital account, or to refund maturing securities originally issued for capital account, or by purchasing transportation equipment and facilities and leasing the same to carriers."

CONTINGENT LIABILITIES

Potential liabilities; liabilities for which a business may be held, but which it never expected to be compelled to meet; liabilities which depend upon the fulfillment or lack of fulfillment of certain conditions; secondary liabilities.

Contingent liabilities may be classified in two main groups. The first group comprises definite and tangible liabilities discoverable through the accounts and records of a business. The second group are less tangible, such as conditions in the trade, likelihood of a falling market, possibility of cancellation of contracts, return of goods sent on approval or consignment, possibility of supersession of merchandise or of its quality through superior inventions or advances in industrial technology, or of possible costly litigation in protection against infringement of patents.

The first main group may be again divided into three sub-classifications:

(1) Those of a financial nature such as are usually incurred in the sale, transfer, indorsement, or guarantee of negotiable instruments, or other financial obligations. Contingent liabilities of this nature arise as a result of: (a) discount, sale, or transfer of notes receivable, trade accpetances, bank acceptances arising under commercial letters of credit, and foreign drafts; (b) indorsements of notes for affiliated or subsidiary concerns; (c) indorsement of commercial paper as accommodation party: (d) selling, pledging, or assigning of accounts receivable where the transfer attaches a contingent liability to the seller, pledger, or assignor; (c) issuing and guaranteeing letters of credit; (f) guaranteeing of payment of interest on principal of the bonds of another party; (g) accepting suretyships, including those guaranteed for others; (h) contracts for purchase of foreign exchange for future delivery; (i) liability for unpaid stock subscriptions; (j) advances against accounts or bills receivable; (k) taking up leases.

(2) Liabilities incurred as a result of agreements on contracts concerning the purchase or sale of merchandise or services. This subclassification includes liabilities arising as the result of: (a) guarantees of satisfactory performance of services or of merchandise; (b) contracts for future delivery of merchandise or plant construction, etc.; (c) guaranteed merchandise orders not subject to cancellation (including those guaranteed for affiliated or subsidiary concerns); (d) provisions for returned merchandise, rebates, trade discounts, etc.; (e) provisions for allowances for returned containers, etc.

(3) Responsibilities incurred in various manners other than by expressed agreement or contract, such as those arising as result of (a) pending lawsuits; (b) possibility of litigation, such as alleged infringement of patents, etc.; (c) pending judgments where suit has been taken on appeal to a higher court.

The second main group is impossible of further subclassification.

The credit men in the banking and mercantile world recognize that financial statements must completely set forth the contingent liabilities in order to serve as an adequate instrument upon which to judge a credit risk.

CONTINGENT RESERVE

In accounting practice, an earmarked portion of surplus or undivided profits, not allocated to any asset or liability items, and thus a true equity reserve, free and clear of any actual present needs. Thus its purpose is to meet any unanticipated needs among assets, involving revaluation or losses, and any unexpected liabilities, such as taxes or interest, not definitely known. (See Contingent Funds, Reserve, Reserve Fund.)

CONTINUED BONDS

Bonds which are not repaid at maturity but which are extended for a further definite or indefinite period with the same security, and with the same or different interest rate. They are usually known as Extended Bonds (q. v.).

CONTINUING ACCOUNT

An open or running book account in which settlements are made at regular intervals, e. g., 30 to 60 days.

CONTINUING AGREEMENT

See General Loan and Collateral Agreement.

CONTINUING GUARANTY

See Guaranty.

CONTRACT

An agreement between two or more persons enforceable at law and by which rights are acquired by one or more parties to certain acts or forbearance from acts on the part of others. A contract may be written, oral, or implied, but a written contract cannot be changed or contradicted by oral evidence.

The legal elements necessary to make a contract binding are: (1) offer and acceptance; (2) consideration, if required by law; (3) capacity of the engaging parties to contract; (4) legality of purpose; (5) reality of consent; and (6) the form required by law.

A contract may be a formal document under seal, e. g., a deed or bond; an informal document in writing but not under seal, e.g., a simple contract, or a note or check; or it may be made by word of mouth. Legal effect of the seal has been changed by statute in many States.

CONTRACT GRADES

See Grades.

CONTRACT MARKETS

Those commodity exchanges designated by the Secretary of Agriculture to trade in futures contracts and under supervision of the Commodity Exchange Adminis-

tration. (See Commodities, Commodity Exchanges, Futures.)

CONTRACTS OF SALE

Technically, agreements of sale or purchase, or agreements to sell or purchase. In commodity exchange trading, instead of awaiting delivery on a purchase and then delivering on a sale, the trader may "offset" a previous purchase by a sale for the same delivery month. (See Delivery Day.)

CONTROL ACCOUNT

A control or controlling account in accounting practice is an account in the general ledger to which are posted in totals the debits or credits shown in separate detailed accounts in subsidiary ledgers. Examples are the Accounts Receivable and Accounts Payable accounts, controlling the customers and creditors subsidiary ledgers carrying separate accounts for each customer or creditor by name. The total or balance of the controlling account is the same as the sum of the balances of the various accounts in the subsidiary ledger controlled.

CONTROLLED ACCOUNT

In security or commodity trading, an account in which trading is controlled or directed by a person other than the customer whose account it is. Many firms do not accept discretionary accounts because of the onus and responsibility involved. However, a registered employee of the New York Stock Exchange may exercise full discretion for an account, but the customer must specifically empower him to do so by a power of attorney, and a partner of the firm must approve and initial each discretionary order before it is executed.

CONTROLLED INFLATION

See Inflation.

CONTROLLING COMPANY

See Holding Company, Parent Company.

CONTROLLING INTEREST

A person or group of persons who own a sufficient percentage of the common stock of a corporation to control its policy through their majority voting power. Ownership of over 50 per cent. of the stock is sufficient for this purpose. Very often a group owning a much smaller percentage of the stock can secure working control by procuring proxies of scattered shares.

CONTROLLING RECORDS

The term applied to those classes of records of a financial nature in a bank which consists of the controlling books or accounts of the bank. (See Controlling Account.)

CONVENTION VALUES

In insurance company valuation of securities, the valuation procedure approved by the National Convention of Insurance Commissioners whereby these State authorized the use of amortized values for bonds of specified standing and average values for stocks, rather than actual market values, during the abnormal decline in security prices in the early '30s. While reporting their surplus officially on the Convention basis, many companies nevertheless noted the actual market value basis as a footnote to surplus throughout the period of depression. (See Insurance Company Statements.)

CONVERSION

The term has four meanings:

(1) In law, the unauthorized exercise of ownership over personal property belonging to another, resulting in exclusion of the owner's rights or in alteration of the personal property.

Thus, the wrongful sale of stock held as margin for a trading account by a broker without the consent of the owner-trader is conversion.

(2) The exercise of the conversion privilege attached to bonds or stocks.

For example, convertible bonds or preferred stocks may be converted into common stock, at the option of the holder.

(3) In commodity trading, the conversion contract (q.v.).

(4) In accounting, conversion cost is the comprehensive term covering labor, overhead, and materials outlay involved in processing an article into the desired intermediate or finished form.

CONVERSION CONTRACT

A type of contract in "spot" trading in which the price is tentatively designated as a futures price, but the basis grade left unspecified. Later, in accordance with the time limit agreed on, the price is to be adjusted according to the current grade at time and place of delivery in relation to the basis grade of the futures contract. (See Spot Prices.)

CONVERTIBLE BONDS

Bonds which at the option of the holder are convertible into other securities of the corporation. Such bonds are usually convertible at a certain price into preferred or common stock, and if the value of the stock into which they are converted subsequently should exceed the value of the bonds at the conversion price, the owner will find it profitable to exercise his option of converting. When bonds are convertible into stock, the stock into which they are convertible must be authorized at the time the bonds are issued. Convertible bonds have a speculative feature, and tend to fluctuate in price in accordance with the movement of the stock into which they are convertible.

The advantage of convertible bonds to the issuing corporation is the increased chance of creating a large market for their sale. A corporation is not always able to raise additional capital to advantage by the issue of stock and its bonds could be sold only at a high interest rate. To the investor, convertible bonds combine both safety of principal and possibility of enhancement in value through the conversion privilege. If the owner elects to convert, the fixed charges of the corporation are to that extent reduced.

Convertible bonds offer the investor the opportunity of combining an investment position with speculative possibilities. That is, they will sell at a level expressing the minimum credit position of the issuer, but at the same time fully reflect any advance in the stock into which the bond is convertible once the conversion price is approached or exceeded. Sometimes the conversion privilege offers a greater speculative flavor than in the stock itself, especially where conversion is allowed in a large number of shares. If a convertible bond is convertible into stock at 40, it can be exchanged for 25 shares. If the stock should sell at 50, the bond should

be priced approximately at $1,250 in order to reflect the value of the conversion feature.

CONVERTIBLE PAPER MONEY

Paper money, which according to its terms, may be redeemed at par in gold, or lawful money. Convertible paper money is distinguished from Inconvertible Paper Money (q. v.). In recent decades, because of the "maldistribution" of world stock of gold, convertibility of paper money has been eliminated or restricted, and even the United States, with the world's largest stock of monetary gold, since 1934 has withdrawn gold coin and gold certificates from circulation in accordance with the "executive gold bullion" standard adlopted. (See Paper Money.)

CONVERTIBLE PREFERRED STOCK

Preferred stock which the holder may exchange at his option for common stock at the stipulated conversion price or share exchange ratio. Usually the option cannot be exercised immediately, but only after a certain date, or in accordance with certain conditions. Convertible preferred stock may be exchanged par for par, or in other proportions as prescribed. This type of stock is attractive because it combines stability with possible enhancement of value through larger earnings. In case of large earnings the stockholder may derive a larger income by converting into common stock, but at the expense of greater risk. (See Preferred Stock.)

CONVEYANCE

A general legal term to denote an assignment, lease, settlement or covenant to surrender made by a deed, mortgage or sale. In general usage, however, the term denotes the deed by which real estate is conveyed from the seller to the buyer.

CONVEYANCING

The science and act of transferring title to real estate from one person to another. Conveyancing is that part of an attorney's business which relates to the alienation and transmission of property and other rights from one person to another and to the formulation of legal documents intended to create, define, transfer, or extinguish rights. It therefore includes the searching of titles to real estate, and the preparation of agreements, wills, articles of association, etc.

CO-OPERATIVE AGENCIES FOR CREDIT INFORMATION

There are in the United States a large number of associations which reciprocate credit information through the credit departments of their various members. Practically every trade and manufacturing association maintains a credit organization for the purpose of determining the credit standing of dealers in the trade with the view to prevent credit losses through granting credit to buyers who are financially irresponsible. Not only do various trades maintain credit organizations, but many banks in the larger cities, Chambers of Commerce and Credit Men's Associations throughout the country have established co-operative credit exchanges where information is available to members and affiliations. (See Credit Information Sources, Mercantile Agencies.)

CO-OPERATIVE BANKING

In Massachusetts, a law was passed authorizing the establishment of "Co-operative Savings Fund and Loan Associations," on May 14, 1877. In 1883, they became known as co-operative banks. From this idea sprang building and loan associations. The Building and Loan Association (q. v.), Credit Union (q. v.), Labor Banks (q. v.), Mutual Savings Bank, and National Farm Loan Associations (q. v.) are forms of co-operative banking.

CO-OPERATIVE BUYING

The co-operative movement is a twentieth century development and has grown to considerable size in Europe. It has not attained the same importance in the United States. These associations, composed of consumers, represent a joint co-operative effort similar in purpose to the American co-operative marketing associations, several of which, notably in cotton, tobacco and other agricultural products, have banded together hundreds of thousands of farmers doing a business of millions of dollars each year. One of these groups buys co-operatively; the other sells co-operatively.

Co-operative buying abroad was originally an effort to improve low purchasing power. Since purchasing power has not normally been particularly low in this country, the economic incentive is far stronger in Europe, and hence the co-operative movement there has flourished.

The high prices in this country in 1920, however, just before the deflation, spurred on the growth of these societies in the United States. Most of them were located in small towns. In the consumers' societies the members could profit by the purchase of commodities in large lots at reduced prices.

The depression of 1920-1921 and the collapse of prices resulted in checking the movement. Since then, however, it has slowly increased. There are three types of non-agricultural co-operatives, consumer, credit and workers' production societies.

Of these, the workers' productive societies are the best developed and are the least likely to expand. This type of society is composed of workers in the shop who have contributed all the capital to the enterprise and do all the work, electing a manager from among themselves. The plan has not proven particularly efficient. The credit societies, however, fill an actual need. They are formed for the purpose of extending small loans to the wage earner who is not able to use the usual sources of credit in an emergency. Savings banks and many commercial banks do not extend small loans to people of small incomes. The member of a credit society pays a fee of $1 or less and a sum to be used as capital, from which he receives interest. He can then borrow at a very low rate of interest. These "poor men's banks" are growing more rapidly than any other co-operative organization.

The consumers' societies are the largest. Membership is unrestricted, each member buying one or more shares of capital stock. Goods are sold at market prices so as to avoid arousing the hostility of the private merchant by price-cutting. The members get their returns in the form of dividends. The co-operative movement fulfills a worthy, if small, function in the business life of this country. Its scope is limited and it is well that it should grow slowly. Too rapid development of enthusiastic and badly organized ventures would only discredit the service of the more conservative societies.

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COORDINATION

In new business activities of a bank, it is necessary for most effective results to have coordination of new business solicitation, advertising and other promotional activities. Usually, this may be best achieved by centralizing in a senior officer the over-all direction and responsibility for coordinated new business policy and execution. (See New Business Department.)

COPECK

Another spelling for Kopeck (q. v.).

COPPER

Probably the most important non-ferrous metal, in view of its extensive use in many industries, notably in the electrical industries, which take over 50% of all copper used in the United States. Consumption of copper in the United States normally totals about one-third of world consumption. In the past, the United States has accounted for a higher proportion of world production, but in recent years, its ratio of world production has run at about one-fourth, reflecting decrease in domestic stocks, and leading American copper companies have large interests in foreign copper producing properties, notably in Chile and Mexico. In 1945 and 1946, copper imports totaled 1,677 and 654 million lbs., respectively, compared with 1936-1938 average of 354 million lbs.

Market center for copper in the United States is in New York City, where most of output of domestic copper refineries is marketed. Futures trading in New York City is conducted on the Commodity Exchange,Inc., where the contract unit is 50,000 lbs. (25 tons), on which the minimum fluctuation is 1/100¢ per lb. (one "point") or $5 per contract. Basis grade is rough or blister copper assaying 99% or better, with six premium grades being deliverable at seller's option, highest premiums being for Electrolytic Copper or equivalent fire refined high conductivity copper (except cathodes), and Lake Copper assaying 99.90% or better. Since 1900, electrolytic copper prices in New York City have ranged in price fluctuation from high of 37¢ per lb. in 1917 to low of 4-7/8¢ per lb. in 1932. Government premiums have aided producers in recent years.

The following table shows smelter output from domestic ores and yearly average price of electrolytic copper at New York since the turn of the century:

	Smelter Output from Domestic Ores (short tons)	Yearly Average Price, Electrolytic, New York
1896-1900	265,544	*13.41¢
1901-1905	366,095	13.877
1906-1910	490,248	15.642
1911-1915	610,313	14.973
1916-1920	821,799	23.031
1921-1925	619,999	13.474
1926	869,811	13.795
1927	842,020	12.920
1928	912,950	14.570
1929	1,001,432	18.107
1930	697,195	12.982
1931	521,356	8.116
1932	272,005	5.555
1933	225,000	7.025
1934	244,227	8.428
1935	381,294	8.649
1936	611,410	9.474
1937	834,661	13.167
1938	562,328	10.000
1939	712,675	10.965
1940	909,084	11.296
1941	966,072	11.797
1942	1,087,991	11.78
1943	1,092,939	11.78
1944	1,003,379	11.75
1945	782,726	11.75
1946	594,000p	14.04**

*Lake Copper for 1896 and 1898.
**Connecticut Valley. p--Preliminary.
Source--Department of Interior, Bureau of Mines.

(See Commodity Exchange, Inc., Coppers.)

COPPER A TIP

An expression to indicate that one acts contrary to the advice or information received in a tip. (See Tip.)

COPPERS

This term has two meanings:

(1) A nickname for United States one-cent pieces. (See Bronze Coins.)

(2) An expression used to designate the copper stocks. In the United States, the principal states for mine production of recoverable copper are Arizona and Utah. In Arizona, the Morenci Branch of the Phelps Dodge Corporation is the largest copper producer. In Utah, in the West Mountain (Bingham) district, is located the leading copper mine in the United States, the Utah Copper mine of the Utah Copper Company. (See Copper.)

CORDOBA

See Foreign Moneys - Nicaragua.

CORN

The most valuable crop in the United States, in recent years totalling 2 to 3 times the size of the wheat crop. Nearly all wheat, however, moves to market, leading to more activity in wheat trading for hedging and speculative trading operations. Only a minor portion of the corn crop is exported, which is accounted for by the fact that corn is chiefly used on the farms for fattening meat animals. The principal corn growing states in order of production in 1946 were Iowa, Illinois, Minnesota, Indiana and Nebraska.

The principal market for corn is in Chicago, on the Chicago Board of Trade, both for cash ("spot") and future delivery. Basic grade is No. 1 or No. 2 mixed corn for futures trading, for which the unit of trading is 5,000 bushels on the regular contract unit, and 1,000 bushels for the "job lot". Trading is also conducted in futures on the Kansas City Board of Trade, in similar units. On both exchanges, the minimum fluctuation is 1/8¢ per lb. or a "point". Daily trading limits are 8¢ above or below previous close on both exchanges. Government support loans on 1946 corn were $1.15 per bushel for the national farm average and at Chicago. Base period (1909 -14) price for corn is 64.2¢, which multiplied by the parity index as announced by the Secretary of Agriculture (Bureau of Agricultural Economics)

monthly, gives the current parity price for the purpose of Government support loans. The corn season begins October 1st.

The following table gives production of corn over the long term, together with average price received by farmers:

	Production (in 1,000 bushels)	Average Price per bushel Received by Farmers
1896-1900	2,523,555	28.2¢
1901-1905	2,529,114	44.0
1906-1910	2,735,480	53.1
1911-1915	2,609,562	66.0
1916-1920	2,704,768	123.4
1921-1925	2,706,506	75.3
1926-1930	2,484,935	77.2
1929	2,515,937	79.9
1930	2,080,130	59.8
1931	2,575,927	32.1
1932	2,930,352	31.6
1933	2,397,593	52.0
1934	1,448,920	81.5
1935	2,299,363	65.5
1936	1,505,689	104.4
1937	2,642,978	51.8
1938	2,548,753	48.6
1939	2,580,912	56.8
1940	2,462,320	61.8
1941	2,675,790	75.1
1942	3,131,518	91.7
1943	3,034,354	112.3
1944	3,203,310	109.0
1945	2,880,933	127.0
1946	3,287,927	136.0

Source-- U. S. Dept. of Agriculture.

(See Futures, Grades, Grain, Hedge (Hedging), Parity.)

CORNER

"Control or monopoly over a commodity or security to get control of or to dictate prices (Pratt, S.S.: "Work of Wall Street"). Technically, a corner occurs on a stock exchange when "shorts" cannot borrow stock, i.e., have sold more stock than the floating supply makes available for purchase. Those who have a corner can dominate the situation and dictate price terms to their unfortunate victims, the "shorts" who are forced to settle at artifically dictated prices, thereby involving heavy losses. The two important corners in stocks were the Northern Pacific corner (1901) and the Stutz corner (1920).

Corners have been more frequent in grain than in stock speculation and in most cases have proved dis - astrous for their promoters. The three great corners on the Chicago Board of Trade are known as the Hutchinson Corner (1888), the Leiter Corner (1898), and the Patten Corner (1909).

A corner has been declared to be illegal by the courts for two reasons: (1) it is a gambling transaction and contracts thereunder are therefore unenforceable; and (2) it is in restraint of trade.

Under the Commodity Exchange Act (q. v.), the Commodity Exchange Commission (Secretary of Agriculture, Secretary of Commerce and the Attorney General sets limitations both upon the amount of speculative trading done daily by any one individual and upon the speculative net position, long or short, of any speculative account at any one time, and requires the reporting to it of any holdings in excess of certain amounts. Under the Securities Exchange Act of 1934, operations of the stock exchanges and their members, and of security brokers and dealers generally, are subjected to regulation of the Securities and Exchange Commission.

CORN-HOG RATIO

The ratio between the price of corn and the price of hogs which indicates the relative profit to the farmer of either selling corn or feeding it to hogs for fattening purposes.

Comments the Secretary of Agriculture: "Sharp advances in hog prices and the record 1946 corn crop established a very favorable hog-corn price ratio early in 1947 which encouraged the feeding of hogs to unusually heavy weights and increased the output of pork and lard. A rise in corn prices, when the seasonal spring decline in hog prices occurred, caused the ratio to become less favorable, and this tended to check desired expansion in hog production. Moreover, the uncertain outlook for the 1947 corn crop during the summer tended to speed up hog marketings and caused many farmers to dispose of sows that otherwise would have been kept for fall farfowing. Accordingly, hog production for the 1948 market may not reach the goals."

CORN PIT

See Pit.

CORPORATE BANKRUPTCY ACT

As last amended and codified in 1938, the National Bankruptcy Act now embodies in Chapter X, entitled Corporate Reorganization, the procedure for reorganization of corporations. The steps involved may be summarized as follows: (1) Petition to reorganize is filed; (2) trustees are appointed by the court; (3) plan of reorganization is prepared and proposed, if continuance of the business rather than liquidation is found feasible; (4) hearings on the merits of the reorganization plan are held; (5) the Securities and Exchange Commission may be asked to submit an advisory report on the merits of the reorganization plan; (6) the plan of reorganization is approved (not confirmed at this stage) by the court; (7) security holders vote on the plan; and (8) the court confirms the plan and orders its consummation.

Upon confirmation of the plan by the court, the reorganization plan binds dissenting security holders and creditors. Under the old type of equity receivership, non-assenters were entitled to be paid off the value of their claims.

CORPORATE RECORDS

Those records of a corporation required by incorporation laws and pertaining to its corporate character. Among these are the certificate of incorporation, by-laws, book of minutes of the board of directors, stock book, stock transfer book, etc. Section 10 of the New York Stock Corporation Law requires that every stock corporation shall keep at its office correct books of account of all its business and transactions, and a stock book showing the names of all persons, alphabetically arranged, who are stockholders of the corporation, showing their addresses, number of share of stock held, the time when they became stockholders, and the amount paid thereon. (See Corporation.)

CORPORATE STOCK

In municipal financing, the term "corporate stock" is sometimes used as the title for bonds of long term ma-

turity, with sinking fund retirement and other characteristics of bonds. (See Municipal Bonds.)

CORPORATE TRUSTS

See Trusts.

CORPORATION

The principal form of modern business organization, as distinguished from the Partnership (q. v.), and sole proprietorship. It is defined by a court of law as "an artificial being, invisible, intangible, and existing only in contemplation of law. Being the mere creature of law, it possesses only those properties which the charter of its creation confers upon it, either expressly or as incidental to its very existence" (Chief Justice John Marshall, in Trustees of Dartmouth College v. Woodward).

The New York Statute (Art. I, Sec. 2, General Corporation Law) recognizes three classes of corporations: (1) public corporations (municipal, district, and public benefit corporations); (2) stock corporations (moneyed, transportation, business, and co-operative corporations) and (3) non-stock corporations (religious, membership, and any corporations other than stock corporations or public corporations).

To form a corporation, the general corporation laws usually require that three or more incorporators apply for a charter, which upon payment of the proper fees, is issued by the Secretary of State of the state of incorporation. (See Certificate of Incorporation.) A Corporation has power to conduct the business authorized by its charter, to make contracts, and to sue and be sued. It is an entity distinct from its constituent stockholders, who may sue the corporation. A corporation is owned by its stockholders, but the active management is vested in the directors, elected by the stockholders and subject to the provision of its by-laws. The directors in turn elect the officers, whose duties are usually outlined in the by-laws.

The advantages of the corporate form of organization are continuous life, large capitalization with which to secure economical operation, limited liability, continuity of business policy, divisibility of capital, and transferability of shares. The disadvantages are greater taxation, compulsion to submit to greater publicity, limitation of powers, and limitation of credit through limited liability.

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CORPORATION BONDS

One of the two classes of bonds divided according to type of obligor, i. e., civil bonds and corporation bonds. Corporation bonds are obligations of a business corporation as distinguished from obligations of a governmentality (Federal, state, or municipal government.)

The soundness of corporation bonds depends upon many factors including the character of collateral offered, the character of the issuer, the nature of the industry, and stability of its earnings. The market value of corporation bonds is primarily influenced by money rates in the case of highest grade obligations, and business activity and conditions in the case of lower grade issues, while civil bonds of fiscally sound public bodies are primarily influenced by the level of money rates. (See Bond, Industrial Bonds, Investment, Public Utility Bonds, Railroad Bonds.)

CORPORATION FINANCE

That division of finance which treats of the promotion, organization, capitalization, financing, reorganization, and financial conduct of business corporations. It deals, "first, with the raising of the initial capital needed for business enterprises, what securities to issue, how and to whom they should be sold, how best to utilize the funds thus secured, together with their proper apportionment for plant, equipment, and working capital; second, with the accurate determination of profits and their allocation to dividends, surplus, sinking fund and reserves, and the enlargement of capital permanently invested." (W. H. Lough: Business Finance).

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CORPORATION PAPER

Notes, acceptances, and bills of exchange issued by

corporations, as distinguished from paper issued by individuals and copartnerships.

CORRESPONDENT

A bank having direct connection or friendly service relations with another. Most banks, especially country banks, find it convenient to maintain balances with a bank in a larger city or cities, either as reserve, or as a fund against which drafts may be sold and out-of-town checks collected. A Painesville, Ohio, bank, for instance, might keep a balance in Cleveland and another in New York. Oftentimes mutual collection agreements are arranged which specify each bank's obligations and remuneration. Most of the larger eastern banks have correspondents in foreign countries.

Some of the stock exchange commission houses have out-of-town correspondents, usually local investment security firms, who procure orders which are transmitted by private wire for execution on the New York Stock Exchange, Chicago Board of Trade, etc.

COST ACCOUNTING

See Bank Cost Accounting.

COST AND FREIGHT

A term used chiefly in import and export transactions meaning that the price quoted includes the cost of the merchandise and the freight to the point of destination, but does not include insurance. The abbreviation used is "c. and f."

COST, INSURANCE AND FREIGHT

The price quoted includes not only the cost of the merchandise but also the freight and insurance charges to the point of destination. The abbreviation used is "c. i. f."

COST OF LIVING INDEX

In this statistical civilization a growing use has been made of cost of living indexes. In this country, as well as most others, attempts to compile indexes of living costs have been made. Such indexes do not tell how much it costs to live but furnish a comparison between the minimum cost of a certain standard of living from one date to another.

The official cost of living index in the United States, and one which is made the standard for many "escalator" clauses in contracts, is the consumers' price index for moderate income families in large cities, prepared by the Bureau of Labor Statistics of the Department of Labor. Components of this index are: food; apparel; rent; fuel, electricity and ice; house furnishings; and miscellaneous. The base period of 100 is the average for 1935-1939. Base period was changed during the Roosevelt Administration from 1926 to 1935-1939 average.

The base year continues to be 1926 for the widely published index of wholesale prices prepared by the Bureau of Labor Statistics. Components of this index are: farm products; foods; and other commodities hides and leather products; textile products; fuel and lighting materials; metals and metal products; building materials: chemicals and allied products; house furnishings goods; and miscellaneous. These components in turn are subdivided into 50 sub-groups.

CO-TRUSTEE

A trustee acting jointly with another or others. (See Trustee.)

COTTON

One of the principal crops and the chief export commodity of the United States. Cotton is the only completely commercial crop raised in the United States. Unlike the grain crops, a part of which are consumed on the farms, every bale of cotton fibre that is raised moves into commercial channels sooner or later.

History of American Production.-- In 1790 the cotton crop was 7,000 bales. In 1792 the crop was 13,000. From that date to 1860 record crops followed in rapid succession. In 1826, the first million bale crop was produced and in 1859 a crop of 5,387,000 bales was attained.

The period of the Civil War was marked by a cotton famine in Europe and cotton soared to unheard of prices. The high prices tempted the planters of the south who were not only bereft of their slaves, teams, and tools, but had also contracted heavy debts, to borrow more money and attempt to recoup themselves by paying former slaves to grow cotton. The rapid decline in the price of cotton from nearly a dollar per pound in 1864 to 17 cents in 1870 left them with debts which took over a half century to clear. The first record crop after the Civil War was in 1879 with 5,755,000 bales. In 1897, our production reached 10,000,000 bales. The peak of production was reached in 1926 when the world produced nearly 28,000,000 bales of cotton, nearly 18,000,000 being grown in the United States.

The following table shows the production and price received by farmers for cotton since the turn of the century:

	Production (excluding linters) per 1,000 bales of 500 lbs.	Average Price Received by Farmers
1896-1900	10,036	7.04¢
1901–1905	10,801	8.98
1906-1910	11,847	11.29
1911-1915	14,167	10.44
1916-1920	11,918	24.91
1921-1925	11,515	22.22
1926-1930	14,834	15.38
1929	14,825	16.78
1930	13,932	9.46
1931	17,097	5.66
1932	13,003	6.52
1933	13,047	10.17
1934	9,636	12.36
1935	10,638	11.09
1936	12,399	12.36
1937	18,946	8.41
1938	11,943	8.60
1939	11,817	9.09
1940	12,566	9.89
1941	10,744	17.03
1942	12,817	19.04
1943	11,427	19.88
1944	12,230	20.73
1945	9,015	22.52
1946	8,482	33.90

Source--U. S. Department of Agriculture, Bureau of Agricultural Economics.

For a century and a quarter, cotton has easily held first place among all fibers, and since 1850 United States has been the greatest producer and exporter of cotton among all countries. In previous years, United States has exported as much as two-thirds of its crop; in recent years, 40% to 50%. Cotton growing and manufacture have contributed greatly to the wealth and economic progress of the United States. Cotton uses have been more widely diversified in recent years; that is, besides clothing, it is widely employed as a basis for rayon manufacture, tire fabrics, and automobile brake linings.

For many decades, cotton growing has been a major industry in ten Southern States now having total population of about 30,000,000. Despite increased industrialization of the South and efforts to diversify agriculture, cotton remains as the most important crop in various Southern states, particularly in Texas, where the cotton crop is the most valuable crop grown in a single political subdivision in the world, representing about 53% of the total crop value of the State; and in Mississippi and Arkansas.

The largest cotton producing countries, in order of their importance, are the United States, India and Egypt. China, though a large producer, consumes domestically most of its production. United States production in 1946 dipped to only 8 1/2 million bales, compared with 22 million bales world production, but in the previous decade, the American proportion of world production ranged between 40% and 50%. Smaller amounts are also raised in Russia (where production is increasing), Mexico, Brazil, and Algeria.

Indian Cotton. - The oldest known cotton producing country is India where the plant has been grown and cotton fabrics have been made for more than 4,000 years. India and the Levant were the principal sources of cotton supplies for Europe until the latter part of the eighteenth century, when production in the United States began. The ancient limitations imposed upon cotton cultivation and manufacture made cotton more expensive than wool or linen which, with leather, provided the principal clothing material for the masses of the people of Europe to the last decade of the eighteenth century.

From time immemorial India has grown cotton. The writers of ancient Greece referred to the "tree wool" which was spun into fine muslins and brought into the Levant overland to enter the Mediterranean trade of Europe. The name calico comes from the fine woven goods of Calicut, and the products of the Dacca hand looms have, through the centuries, been recognized as the finest muslins human skill can produce.

At one time a very high quality of cotton was raised in India, but this is no longer true. Practically all of the Indian cotton is of extremely short staple, a large part being under one-half inch, and most of it dirty and harsh. Among the factors which have contributed to the deterioration of Indian cotton in the past are lack of seed selection, careless soil cultivation and improper handling of the lint. The yield of cotton per acre is lower in India than in any of the other large producing countries.

There is no Indian cotton belt, the Bombay Presidency, the Central Provinces, Hyderabad, Baroda, the Madras Presidency, the Punjab, and the United Provinces all having cotton tracts, producing distinct types. Since cotton is grown over such a vast area and since the monson and other seasonal conditions occur at different periods of the year over these areas, the sowing and harvesting seasons are diverse, the former extending from May to December in different parts of the country, and the latter from October to May and June. The bulk of the crop is marketed from January to March. However, an excellent and extensive irrigation system has been developed, particularly in the north. In other parts, such as Madras and the United Provinces, irrigation from wells is becoming important.

Egyptian Cotton. - Egypt is the third largest producer of cotton in the world and owes its important position chiefly to the high quality of cotton produced in that country. Practically all Egyptian cotton is of long staple, averaging about one and one-half inches in length, and is a dark cream color and of a silky appearance. The chief advantages which Egypt enjoys as a cotton producer are excellent soil, unsurpassed climate, and a fairly adequate supply of hard-working laborers. The fundamental handicap is limited irrigable area.

There are two types of Egyptian cotton known as Achmouni and Sakellarides. The first, grown in upper Egypt, and therefore called "uppers," is cream-colored with a brownish tinge, the fiber ranging from one and one-eighth to one and one-fourth inches. Sakellarides also known as "longs," is a type grown in middle and lower Egypt. Its fiber is of cream color and ranges from one and one-fourth to one and three-fourths inches.

Manufacture in United States. - In 1790 Samuel Slater set up the first American textile mill in Pawtucket, Rhode Island. Soon after his arrival from England, where he had been a mill hand, he constructed his machinery entirely from memory on the Arkwright principle. In 1793, the same year in which Eli Whitney invented the cotton gin, Slater built a new mill with seventy-two spindles. This may be regarded as the first complete English type cotton spinning mill in the United States.

By 1815, there were 170 mills in this country with a total of 134,214 spindles, all concentrated in the New England States. Development of mills in the South was slow at first but gathered momentum during and after World War I. At present, however, the South has superseded New England in capacity, as shown herewith:

On July 31, 1946, there were 21,578,000 spindles active in cotton, 575,000 in synthetic fibre, 393,000 on blends with cotton, and 231,000 on other fibres and blends. Of the 21 1/2 million active spindles, 16,869,000 were in cotton-growing States; 4,173,000 in New England States; and 536,000 in other states.

Among the reasons for the establishment of cotton

	1890		1922		1932	
	Spindles	Bales Consumed	Spindles	Bales Consumed	Spindles	Bales Consumed
New England	10,934,297	1,502,177	17,938,805	1,853,153	11,873,558	921,000
South	1,570,288	538,895	15,906,165	3,977,847	19,083,062	4,343,000

Active spindles cover maximum number of spindles operated for any period regardless of duration.

mills in the South, at the expense of the industry's growth in New England, may be cited relatively lower labor costs, lower taxes, at the outset, and proximity to raw material supply. The Southern mills, located near sources of supply, are peculiarly fitted to specialize in the coarser types of yarns and fabrics, requiring larger amounts of raw cotton.

Cotton mills may be divided into four classes: (1) spinning mills, which supply yarn for units outside the cotton textile industry proper, and to (2) weaving mills purchasing their yarn from independent spinning mills; (3) grey goods mills, representing more than half the total output and supplying unfinished cloth; (4) mills under taking all the operations (spinning, weaving and finishing) in the manufacture of the completed product.

Trading. - There are three kinds of cotton, short-staple, long-staple and Sea Island, each of which for market purposes is carefully graded. Basis grade for futures trading on American commodity exchanges is middling, 15/16 inch. The Secretary of Agriculture, under the Commodity Exchange Act, has designated the New York Cotton Exchange, the New Orleans Cotton Exchange and the Chicago Board of Trade as futures markets in cotton. Unit of trading is 100 bales (50,000 lbs.) on the New York Cotton Exchange and New Orleans Cotton Exchange, the latter also trading in "job lots" of 50 bales; and 50 bales on the Chicago Board of Trade. Price fluctuation is in "points" of 1/100¢ per lb., and daily fluctuation is limited to 200 points or $1,000 per contract of 100 bales above or below previous close. Maximum range in price for any one day in any one delivery month is 2¢ per lb. Base period price for cotton (1909-1914 average) is 12.4¢, which may be multiplied by the parity index for cotton announced monthly by the Department of Agriculture, to determine parity price. National average Government loan rate is 92 1/2% of the parity price.

Leading foreign cotton exchanges, normally active, are the Liverpool Cotton Exchange, La Bourse des Marchandises in Alexandria, the East India Cotton Association in Bombay, and the Bolsa de Mercadorias in Sao Paulo.

(See Cotton Futures, Cotton Futures Act, Cotton Grades, New Orleans Cotton Exchange, New York Cotton Exchange.)

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COTTON BILL

A bill of exchange drawn to finance an export of cotton and secured by the bill of lading. (See Bill of Exchange.)

COTTON CONTROL ACT

Another name for the Bankhead Cotton Control Act, which was repealed on February 10, 1936.

COTTON EXCHANGES

See Chicago Board of Trade, New Orleans Cotton Exchange, New York Cotton Exchange.

COTTON FUTURES

Contracts for future delivery of cotton, traded in on designated commodity exchanges. In the United States, the commodity exchanges designated by the Secretary of Agriculture as cotton futures markets are the New York Cotton Exchange, New Orleans Cotton Exchange and the Chicago Board of Trade. A cotton futures contract is a legal agreement, enforcible at law and under the rules of the exchange, to delivery or to accept a definite quantity of cotton during a specified calendar month at a stated price. Most of the terms of the contract are set by the rules of the exchange, the variables being the price and month of delivery.

For the purpose of establishing the average discounts or average premiums from basis grade for cotton, which is middling 15/16 inch, the Secretary of Agriculture also has designated the spot markets for cotton reflecting current cash or spot values of middling cotton and variations as compared with other grades. The ten spot markets designated by the Secretary of Agriculture are: Dallas, Galveston, Houston, New Orleans, Memphis, Augusta, Charleston, Montgomery, Savannah and little Rock.

Units of trading on cotton futures contracts are: New York Cotton Exchange, 100 bales (50,000 lbs.); New Orleans Cotton Exchange, 100 bales (50,000 lbs.) and 50 bales (25,000 lbs.); and Chicago Board of Trade, 50 bales (25,000 lbs.). Prices are quoted in cents and hundredths of a cent per pound. Minimum fluctuation is 1/100¢ per lb. or "point", equal to $5 on a 100-bale regular contract. Daily price fluctuation is limited to 200 "points" or $1,000 per contract of 100 bales above or below previous close. Active futures months are March, May, July, October and December deliveries, the cotton futures contract for the particular month being traded for as long as 18 months (New York). (See Cotton Futures Act, Futures.)

COTTON FUTURES ACT

An act which became effective February 18, 1915, the full title of which is United States Cotton Futures Act. The purpose of the act was to standardize the practice in trading in cotton futures, and to correct the abuses which previously existed by compelling (1) adoption of uniform standard grades as determined by the Department of Agriculture (See Cotton Grades); (2) exclusion from deliveries of cotton of inferior quality or less than seven-eights of an inch in length of staple; and (3) adjustment of differences in value of the various grades on the basis of "commercial differences" based on prices actually paid for the different grades at the various cotton markets of the country, and not upon "fixed" differences.

The Commodity Exchange Act, which originally applied to grains only, was amended in 1936 to pertain to other commodities, including cotton. Cotton futures trading is now subject to the regulations imposed by the Act and the Secretary of Agriculture, who designates the commodity exchanges that may operate contract or futures markets in cotton. These are the New York Cotton Exchange, New Orleans Cotton Exchange, and the Chicago Board of Trade. (See Cotton Futures, Futures.)

COTTON GRADES

Cotton grading depends upon three variables - color, presence of extraneous substances, and length of fiber. Grades are determined by the Department of Agriculture, and cotton is usually graded as follows:

1. White cotton - full grades: (a) middling fair, (b) good middling, (c) low middling, (d) good ordinary; half grades: (a) strict middling fair, (b) strict good middling,

(c) strict middling, (d) strict low middling, (e) strict good ordinary; intermediate grades: (a) fully good middling, (b) barely good middling, (c) fully middling, (d) barely middling, (e) full low middling.

2. Tinged Cotton: (a) strict good middling tinged, (b) good middling tinged, (c) strict middling tinged, (d) middling tinged, (e) strict low middling tinged, (f) low middling tinged.

3. Stained cotton: middling stained.

Middling cotton 15/16 inch is the basis grade, deliverable at the contract price in futures trading. Cotton deliverable against futures contract is graded for both grade and staple by a U. S. Board of Cotton Examiners. Eligible grades for delivery on futures contracts are only white and extra white between middling fair and low middling and spotted of either good middling or strict middling. Staples of 29/32 inch and 7/8 inch are deliverable at discounts, and those of 31/32 inch and 1 inch, at premiums. Any staples longer than 1 inch will receive no more than the premium for 1 inch staple. The spot markets maintained and designated by the Secretary of Agriculture for the purpose of determining the discounts or premiums (differentials) are ten in number at the present time.

COTTON SEED OIL

For every pound of cotton produced, the cotton plant produces approximately two pounds of seed. Normally about 75 per cent of this seed is crushed, producing cottonseed oil, meal, hulls and linters.

The New York Produce Exchange and the New Orleans Cotton Exchange are designated by the Secretary of Agriculture to maintain futures markets for trading in cottonseed oil, and the Memphis Merchants Exchange is designated as a market for trading in cotton seed meal futures.

Cottonseed oil is bought or sold in railroad tank-car lots on the New York Produce Exchange, for future delivery. One railroad-tank-car full is one contract, (60,000 lbs.) One or more tanks may be bought for delivery in any one of eight future months. The most active months in which the best executions may be obtained are January, March, May, July, September, December. One or more tanks may be sold for delivery in any one of eight future months, whether or not the seller actually owns the oil at time of sale, provided he will obtain it, or buy it in, before the contract to sell it matures. The price is in cents per pound - cents and hundredths of a cent - fluctuations in price are in hundredths of a cent. Each hundredth of a cent is called a point, and amounts to $6.00 a point on one tank. Daily trading limit in price fluctuation is 2¢ per pound above or below previous close.

Regular contract on the New Orleans Cotton Exchange for cottonseed oil futures is 30,000 lbs., on which the minimum fluctuation per pound is in hundredths of a cent, or $3 for a full contract unit. Daily trading limit is 1¢ per pound above or below previous close.

The following table shows production of cottonseed and farm value per ton over a period of years:

	Production per 1,000 short tons	Farm Value per ton
1909-1910	4,799	$25.07
1911-1915	6,292	20.59
1916-1920	5,295	53.28
1921-1925	5,112	33.11
1926-1930	6,593	28.83
1929	6,406	30.93
1930	6,028	22.07
1931	7,310	8.98
1932	5,815	10.35
1933	5,511	12.91
1934	4,256	33.03
1935	4,634	30.54
1936	5,472	33.30
1937	7,844	19.50
1938	4,950	21.79
1939	4,869	21.14
1940	5,286	21.72
1941	4,553	47.65
1942	5,202	45.60
1943	4,688	52.10
1944	4,902	52.70
1945	3,664	51.10
1946	3,452	71.40

Source -- Department of Agriculture, Bureau of Agricultural Economics.

COULISSE

The outside or curb market of Paris.

COUNCIL BILLS

See India Council Bills.

COUNCIL OF ECONOMIC ADVISERS

Under the Employment Act of 1946, enacted February 20, 1946 as a modification of the originally proposed "full employment" bill, the Council of Economic Advisers was organized in the Executive Office of the President. Membership of the Council consists of three members appointed by the President, with the advice and consent of the Senate, one of whom is designated as Chairman and another as vice-chairman.

Specific functions of the Council are to assist the President in the preparation of the President's Annual Economic Report to Congress, and to furnish the President with such economic studies and reports as he may request. General functions are to study national economic developments, trends and policies, and the role of the Government in promoting economic welfare; develop and recommend economic policies to foster free competitive enterprise and to maintain employment, production and purchasing power. (See National Advisory Council.)

COUNTER CASH

That part of the money stock of a bank which is entrusted to the paying teller, as distinguished from the reserve cash, i. e., the money which the bank is required by law to maintain as reserve against deposits. The counter cash, also known as till money, is taken into the paying teller's cage during the day and kept in a separate compartment of the vault at other times. It is an amount sufficient to provide for the cashing of checks, as shown by experience.

COUNTER CHECK

A special form of check, so marked, available to the depositors at the desks in the lobby of a bank for convenience in case the check book has been left at home. A counter check can be cashed only at the paying teller's

window and by the drawer thereof in person. Its purpose is to prevent swindlers or forgers from using blank checks fraudulently.

COUNTERFEIT CURRENCY

See Counterfeits.

COUNTERFEITS

Fraudulent, spurious, "bogus," or imitation money; money manufactured in imitation of genuine money. The Government has a monopoly of coinage and any private person who makes coins or paper money is a counterfeiter. Counterfeit coins consist of base metal, while counterfeit bills are made according to the processes described below.

One of the duties of paying tellers, receiving tellers, and money clerks is to detect counterfeit money, and consequently they should be skilled in the art of counterfeit detection. Counterfeits are not easily detected by the visual process. They are more easily "caught" by the feeling of the weight and texture than by the appearance. The paper furnishing the basis for paper currency is made by a secret process and is difficult to imitate. Generally the quality of counterfeit paper is inferior to the paper used by the Government, and red and blue ink lines are used to imitate the red and blue silk threads in the genuine bills.

There are three principal methods of making counterfeit bills. The first is copying bills by hand, reproducing each finest line and imitating the silk thread in the paper of the genuine issue with delicate pen and ink work. Such work is performed only by experts - probably those who have formerly been engaged in the Bureau of Engraving and Printing. Some of these notes have been so skillfully imitated as to deceive the naked eye of experts.

The second method is to engrave a steel plate from which the counterfeit bills are printed. This process is more remunerative than the first because many bills can be reproduced from the same plate.

The third and most usual process is that of photographic reproduction. The photo-engraving process bills are not as accurate as the steel engraved bills and are the easiest of all to detect. The engraving is apt to be less distinct and of lighter color than in the genuine, for the reason that the plates are made from photographs of the original and something is lost in the process.

There are two principal methods of making counterfeit coins. The first is casting from a mold; the second is stamping with a die and press. In the casting process a mold is made from a new and genuine coin. In the stamping process a die must be made and the counterfeit money is struck off with sharp blows of a heavy press. The stamping process produces better results because the impression is more clearly cut, this, in fact, being the method used in manufacturing genuine coins.

No exact formulas can be given for the detection of counterfeits. Judgment, experience, knowledge of counterfeiters' technical processes, and familiarity in handling currency are the best guides. Supplementing the guides suggested, the most competent assistance available in discovering counterfeits are publications of the Secret Service Division of the U. S. Treasury Department, and of the protective divisions of banking associations. Whenever counterfeits are discovered, the account of the customer depositing them should be charged, and the Secret Service Division of the U. S. Treasury Department notified.

Counterfeit notes found in remittances from banks are cancelled and returned for the purpose of enabling the owner to make reclamation, and after such use they must be returned to the Treasurer of the United States for transfer to the Secret Service Division of the Treasury Department.

Counterfeit notes found in remittances from individuals are cancelled and sent to the Secret Service Division. The sender is advised of the fact and informed that, if he will communicate with the chief of that division, arrangements may be made to have such notes submitted for reclamation.

Counterfeit coins found in remittances to the Treasurer are cancelled and sent to the Secret Service Division, a receipt for the same being returned to the sender, who may communicate with the chief of that division if he desires to have such coin submitted for reclamation.

Counterfeit coin received at the subtreasuries (now Federal Reserve banks) is retained, to be called for by agents of the Secret Service at certain stated periods. A receipt is issued to the sender or depositor, when desired, to enable him to make reclamation for coin so retained.

COUNTERMAND

To cancel an order which has not yet been executed.

COUNTERSIGN

See Countersignature.

COUNTERSIGNATURE

A signature denoting approval, or vouching another signature. For purposes of internal check and to locate responsibility for purchases, many corporations provide that all disbursement checks shall be signed by more than one official. Whenever a check is signed by more than one official, the additional signatures are called countersignatures. A copy of the resolution of the Board of Directors authorizing certain officials to disburse the company's funds is placed upon file in the records of the bank having the account so that the bank and its paying officers may be apprised of the proper number of signatures that should appear upon a company's checks before it cashes them, or receives them for credit.

COUNTRY BANKS

Banks located in Undesignated Cities (q. v.); i. e., banks not located in Central Reserve Cities (q. v.) or Reserve Cities (q. v.). Country banks' reserve requirements are usually less than for large city banks, e. g., country banks which are members of the Federal Reserve System since October 3, 1942 are required to maintain a 14 per cent. reserve against net demand deposits, as compared with 20 per cent. for Reserve Cities and Central Reserve Cities.

From the standpoint of collection of country checks through the Federal Reserve par collection system, country banks are those not located in a city where a Federal Reserve bank or branch is established.

COUNTRY CHECKS

Out-of-town or transit checks; also checks drawn on

banks not located in a city where a Federal Reserve bank or branch is established.

COUNTRY COLLECTIONS

See Collection Items.

COUPON

See Coupons.

COUPON BONDS

Negotiable bonds not registered in the name of the owner as distinguished from Registered Bonds (q. v.). Coupon bonds are payable to bearer, title passing by delivery without indorsement. Interest upon coupon bonds is received by clipping the attached coupons as they mature and presenting them for payment to the issuer (debtor organization), or the issuer's fiscal agent. (See Coupons, Registered Coupon Bonds.)

COUPON BOOK

See Coupon Ledger.

COUPON CHECK

See Coupon Payments Account.

COUPON COLLECTION DEPARTMENT

A division of the collection department in large banks or trust companies, especially in financial centers, to receive coupons from individual customers and bank correspondents, for presentation to and collection from the various designated paying agents. Coupons are assorted and presented to the advertised paying agents ascertained by reference to various guides and financial services which publish the names and addresses of paying agents for the principal issues of bonds. Announcements of interest payments are also frequently published in the financial newspapers.

Coupons detached from all Government bond issues are collectible through Federal Reserve banks, and coupons collectible through out-of-town paying agents, are forwarded through the mails in the same manner as out-of-town checks.

Matured coupons are accepted both for cash and for collection. If on a cash basis, the proceeds are credited to the depositor's account immediately; if on a collection basis, when and if paid.

COUPON COLLECTION TELLER

A bank teller who manages the collection of matured coupons deposited on a collection or credit basis by depositors and correspondents. The Coupon Collection Teller is the manager of the Coupon Collection Department (q. v.).

COUPON LEDGER

The ledger in which a bank or trust company, acting as coupon-paying agent, records the receipts of funds with which to pay coupons, disbursements for their redemption when presented for payment, and the numbers of coupons paid. By reference to this ledger it is possible to ascertain the sum received to pay coupons, amount of coupons presented and paid, and amount outstanding, if any.

COUPON PAYING DEPARTMENT

A department of a bank or trust company located in a financial center, which because of its special facilities, is appointed paying agent by various debtor organizations (corporations and civil divisions) for the specific purpose of paying matured coupons and bonds. This department is a specialized department for performing this distinct fiscal agent function when the volume of this business is sufficiently large to warrant the organization of a separate department.

By appointing a bank or trust company to pay its coupons, the issuer shifts the burden of making a large number of small disbursements upon an institution which has superior facilities for performing the service safely, efficiently, and economically. The debtor organization needs only to authorize its agent and to issue one check; whereas the bank or trust company is called upon to make many small disbursements when matured coupons are presented for payment by their owners, or when other banks present them in behalf of their customers.

Coupons are not paid unless the bank or trust company has been officially appointed as fiscal or paying agent or has instructions to pay from the debtor organization, or its fiscal agent, and unless funds have been deposited in sufficient amount to redeem in full the maturing bonds or coupons. Usually the institution acting as paying agent has standing instructions to pay maturing coupons at each successive maturity date. The commission for paying bonds and coupons has become standardized, and is usually 1/4 per cent. for coupons, and 1/8 per cent. for bonds.

COUPON PAYMENTS ACCOUNT

A general ledger account which represents the total coupon checks outstanding. Coupons are usually paid by the institution acting as fiscal agent by a special check, marked Coupon Check, so that coupon redemption payments may be readily distinguished from other checks issued by the bank or trust company. This account is credited when coupon checks are issued, and debited when they return through the paying teller's department, clearing house, or otherwise.

COUPON TELLER

A bank teller who manages the redemption of matured coupons when presented for payment. His function is similar to that of the paying teller except that he cashes coupons instead of checks. When coupons are presented for payment they are scrutinized to see that they are genuine and regular in all respects. Since a number of fraudulent and worthless coupons are in circulation, the coupon teller must be thoroughly familiar with the general appearance of the coupons of the most important issues in order to avoid paying worthless varieties. Among other points he must see that the bank has been authorized as paying agent, that funds have been deposited in sufficient amount to redeem the issue, that the coupons have matured, that no stop-order has been issued against them, that the correlative bonds have not previously been called for redemption, that they bear the bond number, etc. The coupon teller is the manager of the Coupon Paying Department (q. v.).

COUPONS

Certificates attached to a (coupon) bond which represent sums of interest due at stated maturities, which the bond promises to pay. Coupons are negotiable instruments which state that the debtor organization (issuer and obligor) through its paying agent, usually a

bank or trust company will pay to the bearer at maturity a certain sum of money representing interest due for a stated period upon bond No.--, of a specified issue. A bond is a contract to pay two things; a principal amount on a stated future date, and a series of interest payments, usually semi-annually but sometimes annually or quarterly, during the life of the bond. The bond itself stands for the principal, and the coupons stand for the series of interest payments due each half year, or other period, and are promises to pay just as the bond itself is. Popularly expressed, coupons are miniature or "baby promises to pay," attached to bonds which are "parent promises to pay."

The essential facts recited on a coupon, which must be identified with its parent bond, are as follows: (1) name of debtor organization; (2) name of issue; (3) face value of coupon; (4) coupon maturity date; (5) name of paying agent; (6) serial number (numerical order of the interest payment from the first of the series); and (7) number of parent bond.

Coupons are negotiable instruments, title passing by delivery without indorsement, provided ownership certificates prescribed by the Treasury Department are attached, except in the case of bonds of the United States Government, where it is unnecessary. To stop payment upon coupons, the paying agent must, as in the case of a certified check, be protected by a bond of indemnity, from the issuer. Stopping payment on coupons has sometimes been used as a technical excuse for beginning foreclosure proceedings. Without a bond of indemnity a paying agent has no legal ground for refusing to pay coupons presented except where flagrant irregularities exist.

COURSE OF EXCHANGE

A technical name applying to a schedule of quotations for bills, drafts, and checks, compiled twice a week by the principal London bill brokers who meet at the London Stock Exchange. (See Foreign Exchange.)

COURT OF CLAIMS

A court, composed of five judges appointed for life, of which one is the chief justice. This court, which sits at Washington, D. C., only, was established by an act approved February 24, 1855. Prior to that date claimants had no remedy against the Federal Government except by petition to Congress.

The court hears a wide variety of actions, all commenced by the filing of petitions.

Its jurisdiction extends to all "claims against the United States arising out of any contract with the Government or based on any act of Congress or regulation of the executive, and all claims referred to it by either house of Congress, as well as to claims for exoneration by a disbursing officer."

Under act of February 13, 1925, the court may certify to the Supreme Court any definite and distinct questions of law concerning which instructions are desired for proper disposition of a cause. It was this right which the Court of Claims exercised when the gold-clause cases of 1934 were certified to the United State Supreme Court, whose decision therein was rendered on February 18, 1935. (See Gold-Clause Decision.)

COURT TRUSTS

Trusts in which a bank or trust company acts under the appointment or order of a court. From this standpoint, trusts are classified as court trusts and private trusts.

In New York State a trust company must be designated as a depository of trust funds by the Comptroller of the State of New York, or be appointed to receive such funds pursuant to the order or direction of a court in any state, or the United States. Funds under court trusts must be invested in accordance with the court order, if specific; otherwise, the funds may be invested in any class of investments approved by the state law as legal for trustees.

COVENANTS IN MORTGAGES

Convenants are agreements or stipulations, express or implied, in contracts, deeds, leases, mortgages, etc. In the New York statutory form of mortgage (Section 258, Real Property Law), the mortgagor covenants:

1. That the mortgagor will pay the indebtedness. This covenant must be express, will not be implied.
2. That the mortgagor will keep the buildings on the premises insured against loss by fire for the benefit of the mortgagee.
3. That no building on the premises shall be removed or demolished without the consent of the mortgagee.
4. That the whole of the principal sum shall become due after default in the payment of any installment of principal or of interest for specified number of days, or after default in the payment of any tax, water rate or assessment for specified number of days after notice and demand.
5. That the holder of the mortgage, in any action to foreclose it, shall be entitled to the appointment of a receiver.
6. That the mortgagor will pay all taxes, assessments or water rates and in default thereof, the mortgagee may pay the same.
7. That the mortgagor within specified number of days upon request in person or within specified number of days upon request by mail furnish a statement of the amount due on the mortgage.
8. That notice and demand or request may be in writing and may be served in person or by mail.
9. That the mortgagor warrants the title to the premises.

In corporate mortgages of the "open" type, in which amount of bonds authorized under the mortgage is unlimited, the usual protective covenants for the benefit of bondholders are that the corporation will not issue any additional bonds beyond a prescribed percentage of new property acquired; and that additional bonds will not be issued unless the resulting total charges are earned a specified minimum. (See Bond, Open Mortgage.)

COVER

This term has three meanings:

(1) A term used to signify the purchase of stocks by short sellers to complete their contracts. To cover is to buy back stock that has previously been sold short. (See Short Sale.)

(2) A term frequently used instead of security. A loan evidenced by a promissory note is said to be covered when secured by bonds, stocks, or other collateral of equal or greater value. It is especially used in connection with the security behind different forms of paper money, e. g., cover behind Federal Reserve notes.

(3) The contingencies or risks outlined in an insurance policy for which the insurance company is liable,

e. g., a marine insurance policy provides indemnity, i. e., covers losses due to damage by fire, flood, collision, sinking, but not for losses due to riot, rebellion, or capture and seizure by an enemy. A life insurance policy covers the life of the insured.

COVERAGE

In financial statement analysis, the ratio by which assets cover specific liabilities; in income account analysis, the ratios by which earnings cover charges or dividend requirements. (See Statement Analysis.)

CREATOR

A settlor or trustor; one who creates a voluntary "inter vivos" trust, or creates a trust by will (a testamentary trust). (See Trusts.)

CREDIT

A term derived from the Latin word, Credo, meaning I believe, and usually defined as the ability to buy with a promise to pay, or the ability to obtain title to and receive goods for enjoyment in the present although payment is deferred to a future date. It therefore consists of an actual transfer and delivery of goods in exchange for a promise to pay in the future.

Modern business to a very large extent is conducted on a credit basis. The occasion for credit arises out of the nature of present day industrial processes in which a series of productive and distributive operations transpires between the beginning of production and ultimate consumption when the account is finally liquidated. Credit is the instrument by which this gap is bridged, i. e., by which each agent in the sequence of productive and distributive processes, receives payment for his contribution in moving goods to the consumption point, before consumption actually occurs. Although credit furnishes waiting power, it cannot be considered as identical with Capital (q. v.), but it makes capital mobile.

Expansion of bank credit is a necessary condition of expansion of business operations. But an overexpansion of credit may so increase the purchasing power of business men that it will merely result in enabling them to bid against one another for limited supplies of goods and materials so as to force prices above what consumers are willing and able to pay. Bank credit often expands so rapidly that it lifts the buying or investment power of business men out of line with the general buying power of the community. Because of their strategic position the banks have an unusual duty and an exceptional opportunity to give sound information and counsel to business men.

While the relationship between the volume of credit and the volume of business and the movement of prices is not always simple to interpret, it appears to be sufficiently close to make it a matter of first importance that the volume and the flow of credit should at all times be tested by the contribution which additions to the volume of credit make to the total of economic production. Additions to credits which can not be economically validated by a commensurate effect in actual production are speculative, and as such should be closely watched, so that business and industry may be maintained in a healthy state.

Granting credit depends upon the confidence which the lender places in the debtor (borrower), and is based on three essential factors, viz.: character, capacity and capital. Lending on character is known as the moral risk; on capacity, as the business risk; on capital, as the property risk.

Of these three elements character should be the most important. The personal equation transcends all others because without character and integrity no person can be trusted regardless of the ability or property he may possess. Character includes integrity of purpose, reputation for honesty, promptness in paying debts and fulfilling contracts, high standard of business ethics, record of past performances and antecedent connections, etc. Capacity involves business ability, reputation of product, soundness of business methods, particularly as evidenced by profit-making records. The real index for measuring the business risk is the detailed comparative operating statements by which the rate of return to invested capital over a period of time is disclosed. Capital is net worth - the real measure of a borrower's collateral. Property which has a ready market, whether used in the business or not, constitutes the basis of the property risk.

The most satisfactory manner of evaluating this managerial ability or capacity factor is by means of an industrial or commercial survey, a survey which goes behind the balance sheet and income statements and determines the degree to which the fundamentals of sound management have been made effective. The science of industrial engineering and the practical application of economics to business problems have now reached a state of development where, through their intelligence, many of the factors which were formerly considered intangible and impossible of measurement can now be subjected to scientific analysis and actual measurement. Such a survey should include an analysis of:

1. Orgnaization and personnel.
2. Managerial ability and stability.
3. Financial policies and methods.
4. Marketing policies and methods.
5. Manufacturing policies and methods.
6. Methods of control.

An ideal borrower or credit risk combines all three of these elements in a high degree, i. e., unimpeachable moral character, unquestioned business ability, and adequate capital. Character stands foremost, ability second, and capital third. It is safe to say that no loans will be granted where the first essential does not exist. Certainly loans will not be granted where business ability has not been proved unless adequate collateral is given.

On the other hand, if the first two elements are strong, inadequate capital may not necessarily operate as a deterrent influence.

From the banking standpoint, credit has reference to a person's or concern's power to command funds or to secure deposit credits. Persons or concerns already well known, and having an established credit reputation, are usually granted a Line of Credit (q. v.) at their banks. This line is the normal limit of accommodation. Such a line of credit is not always definitely fixed but varies from time to time in accordance with the financial standing of the borrower as shown by his financial statement, the bank's loanable resources and general money and trade conditions. (See Business Risk, Credit Balance, Credit Department, Credit Files, Credit Information Sources, Credit Instruments, Credit Insur-

ance, Mercantile Agencies, Moral Risk, Property Risk, Statement Analysis.)

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CREDIT AGENCY

See Mercantile Agencies.

CREDIT BALANCE

The excess of credits over debits in an account.

A bank depositor customarily has a credit balance. A debit balance occurs only when an overdraft has been made. The amount of the credit balance represents the depositor's claim against the bank, and the bank's debt to the depositor.

Marginal accounts with a broker normally show a debit balance, because the customer is borrowing from the broker to carry stocks for which the customer has not fully paid. A credit balance exists in favor of the customer only when there is money due the customer above all claims, such as interest, commissions, taxes, etc.

CREDIT BANKS

The term sometimes applied to commercial banks, i. e., banking institutions which primarily extend credit to borrowing customers in the form of direct loans or discounts. (See Bank.)

CREDIT BAROMETRICS

A term (first used by Alexander Wall in the "Banker's Credit Manual") given to the test ratios applied by credit men in the analysis of financial statements submitted as bases for bank loans. The following ratios, discussed under separate headings are used in credit analysis work: Ratio of Current Assets to Current Liabilities (See Current Ratio); Ratio of Current Assets to Total Liabilities; Ratio of Merchandise to Sales (See Merchandise Turnover); Ratio of Net Profits to Net Worth; Ratio of Receivables to Sales (See Account Turnover); Ratio of Debt to Net worth; Ratio of Net Worth to Fixed Assets; Ratio of Net Worth to Sales (See Capital Ratio); Ratio of Merchandise to Receivables; and Ratio of Fixed Assets to Sales.

CREDIT CLEARING HOUSE

A term applied to credit interchange bureaus, the purpose of which is exchange of credit information among its members, each member thus benefiting from the records and experience of all members. Handling of inquiries may be direct, by investigation with concerns which have dealt with the subject, whereby ledger experience and opinion are obtained from firms which have had actual dealings with the subject; or indirect, by supplying the inquirer with a list of leads or references. (See Credit Interchange Bureaus, National Association of Credit Men.)

CREDIT COMPANY

See Commercial Credit Companies.

CREDIT CONTROL

Quantitative and qualitative regulation exercised by the monetary authorities over the volume and nature of credit and over interest rates. Quantitative control is effective on volume and distribution of excess reserves of the banking system and on levels of interest rates. Qualitative control is more difficult to achieve, being basically dependent upon voluntary policies of banks, but is exercisable to limited extent through regulation of margin requirements, consumer credit, and examination procedures.

The three principal powers of the Board of Governors of the Federal Reserve System are open market operations, variation in discount rates, and changes in reserve requirements. In recent years of deficit financing and heavy War financing, as well as gold imports attracted by the devaluation of the dollar, Administration fiscal policy as expressed through the Treasury has played the major role in credit control, and Federal Reserve policy has been subordinated to the aims of maintenance of low money rates and adequate excess reserves in order to finance the increased Government debt.

As the result of the inflation thus created, Federal Reserve powers have been rendered largely ineffective for control purposes. Open market operations as a practical matter must continue committed to preservation of orderly levels for Government securities, in view of the heavy volume of Government debt held by banks. Variations in discount rates would be negligible in effect as long as banks could obtain reserves by sale of Government securities in markets sustained by Federal Reserve open market operations. Changes in reserve requirements have a legal limit at present of twice the reserve requirements existing on date of enactment of the Banking Act of 1935, and the power to raise reserve requirements has been largely exhausted.

Accordingly, Vice-Chairman (former Chairman) Eccles of the Board of Governors has recommended that all commercial banks be required as a temporary measure to hold a percentage of their demand and time deposits, in addition to present reserves, in a special reserve in the form of Treasury bills, certificates and notes or cash, cash items, interbank balances, or balances with Federal Reserve Banks. Such secondary reserve requirement would be limited to a maximum of 25% on demand and 10% on time deposits, and would be applicable to all commercial banks. (See Federal Reserve System, Reserve.)

CREDIT CURRENCY

Redeemable paper money, which the Government promises to pay, but for which there is not a full specie reserve, i. e., not fully secured by a metallic reserve, e. g., the United States notes of 1863, also known as legal tenders. Unlike silver certificates, which circu-

late in lieu of an equal amount of coin, these notes are not intended as substitutes for metallic currency, but for the purpose of expanding the volume of currency. In a gold bullion standard, such as the United States, with no domestic circulation of gold coin or gold certificates permitted, credit currency is only generally secured by the gold reserve and in countries with low metallic reserves, the larger portion might be secured only by the general assets and credit of the issuing Government. Credit currency is also known as fiduciary currency.

CREDIT DEPARTMENT

Mercantile. The department of a company through which all credit orders, i. e., orders for current delivery, but with payment postponed, are passed for acceptance or rejection. The department scrutinizes new applications for credit through various credit information sources, and "checks" running or open accounts. It fixes a "line" of credit for each customer and determines and carries out the collections policies.

Bank. The department of a bank organized primarily to determine and measure credit risks, which lead to a recommendation for action when applications for loans are made. The purpose of the department is to reduce to the minimum, if not absolutely to prevent, losses arising through the failure of concerns to which money is loaned. Credit departments of many banks also reciprocate credit information with correspondent banks, trade customers, and other affiliations, and for this reason not only serve as a "checking" bureau for their own organization, but for others as well. The most important type of assistance rendered is that of presenting to the credit officers, and the loan and discount committee, such facts as are necessary to provide a basis for intelligently granting or rejecting loans, discounts, and renewals thereof, issuing letters of credit, purchasing bills of exchange, and also establishing "lines" of credit.

The work of the credit department may be broadly divided into three parts, that of gathering credit information (credit investigation), filing and storing credit information (credit files), and utilizing and distributing credit information (credit analysis). (See Credit Information Sources, Mercantile Agencies, Statement Analysis.)

CREDIT FILES

The part of a bank credit department in which credit information is recorded, classified, filed, and stored. Usually the credit information on each name is recorded in a folder and placed in a metal sectional file cabinet. In large banks credit files become very extensive in the course of time, and often contain thousands of names. The files are the backbone of the department, since they contain the raw material from which all inquiries concerning the credit standing of the names on record are answered. (See Credit Files Revision, Credit Folder.)

CREDIT FILES REVISION

Information in the credit files must be kept up to date. Information previously gathered is valuable, because it affords insight into the history of a concern or individual and these antecedent relations are always important. Yet the character and earning power of a business may change very suddenly, and consequently names upon which no new information has been recorded for one year are usually regarded as out of date and require revision if inquiries are made. Borrowing bank accounts should be revised only every second year. Trade names are revised more frequently, due to the fact that business concerns are less apt to be stable than banks, and their financial status therefore, less apt to fluctuate. Trade names are not usually revised periodically, but whenever conditions seem to warrant it. If a report is desired and the standing information is more than nine months old, a revision is usually advisable. Revision of a credit folder follows the same lines as an original investigation, viz.: direct investigation of trade and banking connections in and out-of-town, mercantile agencies, and the note broker, in case of commercial paper names. (See Credit Information Sources, Credit Investigation.)

CREDIT FOLDER

A binder or cover which contains the complete record of credit information concerning a given name. To distinguish between different classes of names, e. g., banks, trade names, public utilities, commercial paper names, etc., different colored folders are often used. Folders are filed alphabetically according to names in metal filing cabinets.

Information in the credit folder is generally classified according to some logical grouping, and separated by guides as an aid in locating the particular information desired. A typical classification of information in a credit folder is as follows: history sheet, average loans and balances, financial statements, investigation, and reports inquiries, agency reports, affiliations and subsidiaries, circulars and prospectuses, newspaper clippings, summarization.

CREDIT FONCIER de FRANCE

The principal mortgage land bank of France, which makes loans both on agricultural and urban land up to one-half the appraised value. It also discounts commercial paper.

The four largest French commercial banks are the Comptoir National d'Escompte de Paris; Credit Lyonnais; Societe Generale de Credit Industriel et Commercial; and Societe Generale pour favoriser le Developpement du Commerce et de l'Industrie en France. Largest of the "banques d'affaires" or investment banking houses are the Banque de l'Union Parisienne, Banque de Paris et des Pays Bas, Credit Mobilier and Credit Francais. (See Bank of France.)

CREDIT INFORMATION SOURCES

Sources of credit information are becoming more varied as the demand for accurate credit information and the desire to eliminate undesirable risks becomes more insistent. The sources open to a bank differ depending upon whether the subject of inquiry is a local, out-of-town, or foreign name.

In the case of local names, a credit investigator usually is sent to interview the subject of inquiry, or one of its responsible representatives, i. e., the individual or concern under investigation. The investigator also usually interviews several trade references of the subject of inquiry, including trade creditors, trade debtors, and possibly a competitor. Interviews conducted with the banking connection or connections are regarded as specially important. In the case of commercial paper names, the note broker who sells the paper of the concern is interviewed. Written inquiries may be directed to trade and banking references out of town whenever

there is reason to believe that better information may be derived from these sources. Next in importance are the financial statements - balance sheets and the profit and loss statements. Reports from the mercantile agencies are almost always available, but only information of the most general nature can be expected from them.

The records of the bank should contain valuable information on names which are customers of the bank, e. g., size of balances, method of borrowing, "lines" of credit, securities on deposit, requests for renewals, promptness in meeting maturities, allowing notes to go to protest, etc. An examination of the indorsements on cancelled checks will also reveal the purpose for which the concern is spending its money. The public record such as the judgment indexes, records of pending suits, and records of mortgages and real estate transfers are always available. Oftentimes information is contained in various financial publications, manuals, and "services." The officers of the institution usually have intimate personal knowledge of the affairs of many of their customers.

In the case of out-of-town names the same sources of information are available, except that it becomes necessary to omit personal investigation and written inquiries directed to the same sources may be submitted.

The chief credit information sources for foreign names are as follows: The principal New York banks which maintain foreign departments, and close relations with correspondent banks abroad; New York import and export houses, which are ready to furnish their clients and banking connections with information regarding names with which they do business; the foreign departments of the principal mercantile agencies; foreign chambers of commerce located in New York City, which are supported by the merchants of the countries they represent for the purpose of promoting trade relations; various trade associations, e. g., the National Association of Credit Men.

CREDIT INSTRUMENTS

Paper or documents, other than paper money supported by specie, which evidence current or long-term debt. Credit instruments include checks of all kinds, certificates of deposit, drafts, bills of exchange, notes, acceptances, money orders, letters of credit, bonds, stock certificates, certificates of indebtedness, coupons, etc.

From a legal standpoint, credit instruments may be divided into two classes, promises to pay and orders to pay. The chief promises to pay are promissory notes, trade acceptances, bonds, coupons, and certificates of debt. The chief orders to pay are checks, drafts, bills of exchange, money orders, telegraphic transfers, cable transfers, and letters of credit.

In the United States, credit instruments, particularly the check, have largely displaced the use of money. As of November 26, 1947, demand deposits totaled $85,900 million, compared with $26,600 million in currency outside banks. Total deposits were $143,800 million, which were being turned over at an annual rate of about 13.1 times (21.6 times in New York City). The extent of use of credit instruments depends upon banking facilities, business habits, general intelligence and confidence in banks. (See Credit.)

CREDIT INSURANCE

Insurance Provided against losses from bad debts arising from the sale of goods on credit. Coverage for uncollectible accounts, though far less frequent than coverage for fire losses, is equally as important, since bad accounts occur more frequently than fires and are as much a loss as destroyed or damaged merchandise.

Credit insurance does not usually indemnify the insured against all credit losses, but only for an amount in excess of the average over a certain period, say four years. Policies also usually subject the insured to certain limitations, e. g., limitations of line of credit to each purchaser, limitation of sales to purchasers having a certain commercial rating or better. (See Bad Debts, Credit, Mercantile Agencies.)

CREDIT INTERCHANGE BUREAUS

Bureaus which engage in the business of supplying credit information on the co-operative basis. In recent years, a number of credit interchange bureaus have come to take a rather prominent place in supplying credit information on trade corporations and partnerships (individuals not included). While organized chiefly for trade creditors, many banks are member-subscribers. Like trade members, banks reciprocate credit information, but not to the extent of giving precise figures, since bank credit data are considered somewhat more confidential than those of the trades.

The most important credit interchange bureau system is that of the National Association of Credit Men. This system, which embraces a country-wide system of bureaus and districts, is not organized for profit, service charges to members being fixed to cover operating costs only. Each bureau is an independent unit, and is conducted under the auspices of the officers of the local association of credit men. All the bureaus are under the direct control and supervision of a committee of the National Association of Credit Men, and the Manager of the Credit Interchange Bureau Department of the national organization. The purpose of the Interchange Bureau is to provide a means of exchanging among its members their ledger experiences with common trade creditors, and as stated in the charters of some of the bureaus, and restated by T. N. Beckman ("Credits and Collections in Theory and Practice"), "is to provide an impartial medium between debtors and creditors and between creditors themselves, to establish a system whereby those who are interested in any accounts may freely and unreservedly interchange the facts contained in their ledgers: (1) without the necessity of direct reference, each to the other; (2) without divulging the information under their own name; (3) and receiving in exchange for data contributed by them, a summary of experiences of all others interested in the account."

CREDIT INVESTIGATOR

A representative of a bank, mercantile agency, commercial paper house, or large business whose function it is to procure credit information. He is an essential part of the credit department of a large bank.

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CREDIT LINE

See Credit, Line of Credit.

CREDIT RATING

A grade assigned to a business concern by a mercantile agency to denote the net worth and credit standing to which the concern is entitled in the opinion of the agency as a result of its investigation. Dun & Bradstreet, Inc., submit a capital and credit rating for each name appearing in their general reference books. The capital rating indicates the approximate amount of net capital invested, while the credit rating shows the credit grade, i. e., moral and business risk, in a relative scale.

Below will be found the capital and composite credit appraisal ratings employed by Dun & Bradstreet, Inc.

CREDIT RISK

A term applied by bankers and credit men to an individual, firm, or corporation to whom money is loaned or to whom merchandise or service is delivered on a credit basis. Wherever credit is extended it is attended with the risk of non-payment varying from practically zero to a large percentage. The degree of risk involved is determined by the credit department, and when too high is refused. By extension, therefore, the term is used to refer to anyone to whom credit is given.

CREDIT TESTS

In analysis of statements, the ratio or credit barometrics (q. v.), which serve as an effective aid in forming judgment on credit risks. (See Statement Analysis.)

CREDIT TICKET

A posting medium used in banking and brokerage bookkeeping to secure the posting of a transaction occurring in any department to the credit side of the customers' or general ledger. It carries a complete description of the transaction and is preserved for future reference.

CREDIT UNION

According to the New York banking law, a domestic moneyed stock or non-stock corporation organized for the purpose of promoting thrift among its members and for making small loans to its members at reasonable rates with or without security. In New York State, loans above $50 must be secured by collateral.

Federal credit unions were transferred from the supervision of the Farm Credit Administration to the Federal Deposit Insurance Corporation by Presidential order in May, 1942. As of June 30, 1947, there were 3,812 operating Federal credit unions. Although supervised by the Federal Deposit Insurance Corporation, Federal credit unions are not insured by that agency.

The first credit union in this country was organized in 1909. The number of Federal credit unions reporting increased from 762 in 1935 with 118,665 members, $2,224,610 in outstanding shares and $1,830,489 loans to 3,761 in 1946, with 1,302,132 members, $159,718,040 outstanding shares and $56,800,937 outstanding loans. Peak membership year was 1941, when there were 4,228 credit unions. Over half of the operating credit unions are located in the large industrial areas of New York, Pennsylvania, California, Ohio, Texas and Connecticut.

The credit union usually is built around an industrial company, local labor union, fraternal group, small community, church, etc. In the United States, the industrial type has advanced further than the agricultural.

The laws and practices in New York State governing credit unions are typical. Authorized by the Superinten-

CREDIT RATINGS EMPLOYED BY DUN & BRADSTREET, INC.

	Estimated Pecuniary Strength or Capital			Composite Credit Appraisal			
				High	Good	Fair	Limited
	(AA	Over	$1,000,000	A1	1	1-1/2	2
	(A+	Over	750,000	A1	1	1-1/2	2
	(A	$500,000 to	750,000	A1	1	1-1/2	2
*1	(B+	300,000 to	500,000	1	1-1/2	2	2-1/2
	(B	200,000 to	300,000	1	1-1/2	2	2-1/2
	(C+	125,000 to	200,000	1	1-1/2	2	2-1/2
	(C	75,000 to	125,000	1-1/2	2	2-1/2	3
	(D+	50,000 to	75,000	1-1/2	2	2-1/2	3
*2	(D	35,000 to	50,000	1-1/2	2	2-1/2	3
	(E	20,000 to	35,000	2	2-1/2	3	3-1/2
	(F	10,000 to	20,000	2-1/2	3	3-1/2	4
	(G	5,000 to	10,000		3	3-1/2	4
*3	(H	3,000 to	5,000		3	3-1/2	4
	(J	2,000 to	3,000		3	3-1/2	4
	(K	1,000 to	2,000		3	3-1/2	4
*4	(L	500 to	1,000			3-1/2	4
	(M	Up to	500			3-1/2	4

*Numerical rating: when a numeral only (1, 2, 3, 4) follows the name, it is an indication that the financial strength, while not definitely classified, is considered within the range of the ($) figures in the corresponding bracket and that a condition is believed to exist which warrants credit in keeping with that assumption.

dent of Banks upon the application of seven or more persons residing or employed in the state, membership is secured, upon approval of the individual's application, by the purchase of one or more shares of stock. Maximum par value is $25, but usually is $10 or less, some being only $1. The number of shares one member may own or control is limited. One member has but one vote in any meeting regardless of the number of shares he may hold. No member may vote by proxy.

Management is vested in a board of directors, a credit committee, and a supervisory committee. All these are elected periodically from and by the general membership, and serve without pay. The directors act on all applications for membership, determine the rates of interest, declare dividends, etc. The credit committee grants all loans and fixes terms of repayment. The supervisory committee has complete supervision over all directors, officers and committees and may suspend any of them. It inspects the securities and cash, audits the books, and renders annual reports. No member may serve on both the credit and supervisory committees.

The promotion of thrift is an important purpose of credit unions in New York and deposits not in excess of $2,000 are accepted at interest from any member. But the most important privilege is that of borrowing at reasonable rates. Loans to non-members are specifically forbidden. All applications for loans must state in writing the purpose, and must be approved unanimously by the credit committee.

As a rule, loans of $50 or less may be obtained on a promissory note without endorsement. Greater amounts must have endorsement usually and sometimes also the security of a real estate or chattel mortgage. Ordinarily the maximum lent to any one member of the largest unions is $2,000. Officers and committee members cannot borrow except upon the consent of the general membership.

When applications for loans are heavy, a credit union may borrow, generally up to 40 per cent. of its capital. Conversely, when demands are relatively slack, funds may be invested in certain legal securities or in shares of other credit unions; or deposited with certain other credit unions or certain banks.

The maximum rate to be charged on loans is limited by New York law to 1 per cent. a month simple interest. If the borrower's note is discounted by the union - the usual practice in this state - the rate of discount cannot exceed 5.9 per cent. a year with installment repayments. Some have been able to reduce their interest charge to a point approximating the rates on commercial loans.

There are several reasons why credit unions are able to operate satisfactorily. First, considering the type of business handled, the percentage of uncollectible loans is very small. In such a community organization, each member is ordinarily more than casually acquainted with the other members. Each is a stockholder, and frequently a depositor and a borrower at the same time. One who fails to meet his obligations therefore defrauds not only a fellow member but himself to an extent, and also invites ostracism.

Secondly, inasmuch as only members may borrow, the expense of credit investigation is avoided. Thirdly, the only salaried executive customarily is the Secretary-Treasurer. And when connected with labor unions, industrial companies, churches, etc., the modest quarters needed are frequently furnished rent-free. Another advantage is tax exemption.

Credit unions do not compete with the building and loan associations. One specializes in assisting members to build or buy homes - in real estate first mortgages. Large assets are needed and a wide membership. The other concentrates on short time personal credit, the intimate nature of which is best handled within a small group.

A savings bank can not make personal loans to wage earners. Laws limit its investments generally to real estate mortgages and other specified securities. The credit union plainly supplements the savings bank. Saving is made more convenient to the wage earner by the hours and place of business, and a practical element of compulsion is introduced through the sale of shares on installments. The common experience of credit union officials is that their members for the most part never before maintained savings accounts.

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CREDITOR

One to whom money or its equivalent is due.

CREDITOR COUNTRY

A country which has a trade balance in its favor, i. e., whose exports are greater than its combined visible and invisible imports. (See Balance of Trade.)

CREMATION CERTIFICATE

A certification that retired securities have been destroyed by burning; a statement signed by certain persons, e. g., trustees, committee, etc., selected or appointed that they have witnessed the total destruction by fire of the therein-mentioned securities.

CREMATION OF BONDS

Destruction of bonds by fire. One method of disposing of bonds that have been redeemed and cancelled is to burn them. This is usually the method taken when the bonds are secured by a mortgage held by the trustee for the bondholders. After the mortgage has been satisfied of record, the bonds are burned in the presence of the trustee, and a Cremation Certificate (q. v.) is executed.

CRIME OF 1873

A derisive designation applied to the coinage act of February 12, 1873, which demonetized silver by authorizing the discontinuance of its coinage as a standard coin. (See Demonetization.)

CRISIS

The collapse of a period of prosperity, i. e., the termination of a rising price trend, general optimism, inflation and speculation. It is a turning point or decisive moment at the crest of the business cycle when it becomes clear that the price structure has become top-heavy and that the next movement must be downward. It may be precipitated by a sudden realization that prices have gone too high (buyers' strike), by a sudden restriction of or stringency in the supply of credit, by an unexpected bankruptcy of some conspicuous bank or business concern, or by the outbreak of war.

A crisis should not be confused with a panic, the latter being a serious financial and credit disturbance into which a crisis may degenerate. A crisis may be fol-

lowed by a panic and is almost invariably followed by an industrial depression. (See Business Cycle.)

CROP INSURANCE

Authorized by Title V of the Agricultural Adjustment Act of 1938 (q. v.), and administered by the Federal Crop Insurance Corporation (q. v.), in the Department of Agriculture. Originally, crop insurance was provided for wheat, beginning with the 1939 crop, and was later extended to other crops.

Insurance is against loss of yield, not against loss in price, and is based on average crop yields over a long term. Coverage is lower at the beginning of the growing season and increases to full 50% or 75% on maturing crops. Risks of production, therefore, are the risks insured, such as drought, floods, pests, etc., of an unavoidable or unpredictable nature.

CROP REPORTING BOARD

Crop reporting headquarters in the Department of Agriculture at Washington, D. C. Individual reports of farmers and other producers are collected by trained field agents in each state, and forwarded to Washington, where they are assembled and collated, prepared and published in final form. Reports cover a wide range of subjects and statistics on principal agricultural commodities, including acreage planted, growing conditions, yields, prices and other factors. (See Crop Reports.)

CROP REPORTS

Periodic reports issued by official Government sources and unofficial private sources, showing the condition, acreage, estimated and actual yields of the important crops. The Department of Agriculture issues monthly reports containing current information on growing crops and crop estimates. These estimates are based upon individual reports of farmers in every county and township in the United States, collected by trained field agents in each state. After being checked, the final estimates are prepared by a crop reporting board at Washington. Information on growing crops and size of acreage on the principal agricultural products, including wheat, corn, oats, rye, barley, soy beans and many other commodities is contained in these reports. In addition, the Bureau of Agricultural Economics issues monthly farm and parity prices. The Census Bureau also issues ginning reports, monthly consumption report, mill stock report and monthly spinning activity report on cotton. The large grain brokerage houses and other commodity specialists also issue unofficial reports of crop conditions during the growing season in the principal producing states.

Besides reports on acreage planted and estimated yields, reports on weather conditions and crop damage are also available from both official and private sources. Among factors in crop damage is damage from pests, such as the boll weevil for cotton, and plant disease, such as black rust, a fungus disease which attacks spring and winter wheat, and red rust (leaf rust infection), a less damaging variety of leaf rust in wheat. During late years, rust resistant varieties of wheat have greatly reduced crop damage from this source.

CROPPER

A tenant farmer or share cropper who owns no land, no tools and no live stock. He cultivates the land of a landlord who provides him with tools, work stock and seed, usually with rations for himself and family and with a shack for shelter. When farm land values are high, farm tenancy is a necessitous condition, but the tenant should be granted such rights as will enable him to derive just compensation for maintenance and improvement of the farm property.

CROPS

See Corn, Cotton, Crop Reports, Movement of Crops, Wheat.

CROSSED CHECKS

A form of check not employed in the United States, but extensively used in England where it is recognized by law. Crossing is of two kinds, general and special. General crossing consists of drawing two parallel or transverse lines across the face of a check without the addition of any words. The words "and Company" or an abbreviation thereof, with or without the words "not negotiable" may be inserted between the lines but add nothing of significance. If the name of the bank or banker is added in a crossing, however, the check is crossed to the banker named, and is known as a special crossing.

When a check is crossed, generally the bank on which it is drawn may not pay it to any other party than to a bank, and when it is crossed specially, to no other than the banker specified in the crossing. The purpose of crossing is to prevent payment to wrongful holders and therefore to circumvent losses through forgery, since payment will not be made over the counter, but only by a deposit credit through a bank, even though the payee can establish his identity. A bank which pays a crossed check other than as specified is liable to the true owner.

CROSSED SALE

See Crossing Trades.

CROSSING TRADES

A transaction between brokers, prohibited by the rules of all securities and commodity exchanges, by which a buying order of one is offset by a selling order of the other for the same unit of the same stock or commodity. Instead of the orders being executed on the exchange, the brokers effect a cross trade between themselves. One broker, for instance, might turn over a customer's trade, say a buying order, to a second broker in exchange for a selling order placed with the second broker, instead of both brokers executing these orders in the open market.

The Commodity Exchange Act makes it unlawful to enter into any cross trades. This manipulative practice is also prohibited by the Securities Exchange Act of 1934.

CROWN

This term has two meanings:

(1) An English silver coin equal to five shillings or one-quarter of a sovereign.

(2) The anglicised version of the Krone of Norway, Sweden and Denmark. (See Krone and Krona under the subject Foreign Moneys.)

CRUZEIRO

Monetary unit of Brazil, consisting of 100 centavos. (See Foreign Moneys -- Brazil.)

CUM DIVIDEND

An English term meaning with the dividend included as distinguished from ex dividend. The buyer of a stock cum dividend is entitled to receive the pending dividend.

CUM RIGHTS

With rights included. The buyer of stock "cum rights" is entitled to exercise whatever privilege such rights carry. (See Rights.)

CUMULATIVE DIVIDENDS

Dividends on cumulative preferred stock; dividends which if not paid regularly, or in full, i. e., are in arrears, accumulate and if earned must be paid in the future, before dividends can be paid on common stock. The interest upon income bonds may also be cumulative to the extent earned. (See Preferred Stock.)

CUMULATIVE VOTING

A method of voting by which an elector or stockholder, having a given number of votes through his holdings of shares of voting stock, is entitled to as many votes as shall equal the number of such shares of stock each entitled nominally to one vote per share, multiplied by the number of directors to be elected. The stockholder may cast all of such votes for a single director or may distribute them among the number of directors to be voted for, or any two or more of them, as he may see fit (Sec. 49, New York Stock Corporation Law).

Under Sec. 5144, Revised Statutes, shareholders of National banks are entitled to the right of cumulative voting.

CURATOR

A person, bank, or trust company appointed by a court to care for the estate of an incompetent or insane person under the court's direction. (See Conservator.)

CURATORIUM

The governing board of the former Bank of Germany (q. v.).

CURB

A term applied to a stock market either originally or now carried on in the open street. Curb markets were originally unorganized markets, but most of them are now organized. The function of a curb market is to furnish a place for trading in securities which are not listed upon the large stock exchanges, because they do not meet the tests of admission. In this sense, curb markets are secondary stock exchanges and provide a place where new, unseasoned securities (shares of companies in the prospective, development or early earning period) are bought and sold. The New York Curb Exchange is regarded as a trying-out place for securities, some of which are finally "graduated" and admitted to the New York Stock Exchange. On the Boston Curb which like the New York Curb is now housed, the principal listings are mining stocks. (See New York Curb Exchange.)

CURB BROKER

A broker who transacts business on a curb market. (See New York Curb Exchange.)

CURB MARKET

See Curb, New York Curb Exchange.

CURRENCY

The quality of circulating freely; consequently, any form of money which serves as a medium of exchange and passes from bearer to bearer without indorsement.

Currency may consist of coins or paper money. United States currency consists of all kinds of metallic and paper money, but does not include checks, money orders, drafts, etc. (See Elastic Currency, United States Money.)

CURRENCY ACT OF 1900

See Gold Standard Act.

CURRENCY BONDS

Bonds, the principal and interest on which are by their terms payable in lawful, i. e., legal tender, money of the United States, as formerly distinguished from gold bonds which are payable in gold coin. The Joint Resolution of Congress, of June 5, 1933, declared that "every provision contained in or made with respect to any obligation which purports to give the obligee a right to require payment in gold or a particular kind of coin or currency, or in an amount in money of the United States measured thereby" is "against public policy." This Resolution further provides that "every obligation, heretofore or hereafter incurred, whether or not any such provision is contained therein or made with respect thereto, shall be discharged upon payment, dollar for dollar, in any coin or currency which at the time of payment is legal tender for public and private debts." The Resolution also provided that "all coins and currencies of the United States (including Federal Reserve notes and circulating notes of Federal Reserve banks and national banking associations) heretofore or hereafter coined or issued, shall be legal tender for all debts, public and private, public charges, taxes, duties, and dues. . ." Constitutionality of this Resolution was upheld by the U. S. Supreme Court in 1934 in the "Gold Clause Cases."

CURRENCY DESIGNS

The designs which appear upon various kinds and denominations of coins and paper money, each of which is distinctive and intended to serve as a means of ready recognition, and to render counterfeiting difficult. The denominational portraits on the various kinds of paper money operate as the only means by which raised bills can be detected, since each denomination of paper money bears a given engraved portrait. (See Denominational Portraits.)

CURRENCY SHIPMENTS

One of the functions of Federal Reserve and large city banks is to supply member (or correspondent) banks with suitable kinds and denominations of metallic and paper money. Currency shipments may be classified as paper money, coins, and orders for the transfer of money. Coins and currency are secured from Federal Reserve banks. In transferring funds, currency is shipped to a third bank for which the remitting bank reimburses itself by charging the account of the correspondent bank.

Shipments may be made by express or registered mail, depending upon the most economical method. Owing to the fact that the maximum amount recoverable on a lost registered package is $50, additional insurance must be procured when amounts in excess of $50

are so forwarded. Cost of shipment is usually borne by the consignee bank.

Federal Reserve banks, having taken over the subtreasuries since June 30, 1921, now perform all subtreasury functions, including that of providing supplies of coin and currency in proper denominations to member banks. These supplies are shipped without charge for express and insurance costs. Likewise, when member banks have excess supplies of cash on hand they are shipped to the Federal Reserve bank of the district, the latter bearing the costs.

CURRENT ACCOUNT

Same as open, continuing, and running account. (See Open Account.)

CURRENT ASSETS

Cash or other assets "which in the ordinary course of business will be converted into cash" (Greeley, H. D.: Theory of Accounts), e. g., raw materials, finished goods, accounts receivable, notes, receivable, etc. They are also known as quick, floating, fluid, and circulating assets. In analyzing statements for credit purposes, the proportion between the current assets and current liabilities, known as the current ratio, is one of the most important tests of a credit risk. (See Current Ratio, Statement Analysis.)

CURRENT DEBT

Total of all liabilities due within one year from statement date including current payments on serial notes, mortgages or other funded debts. This item includes liability reserves such as reserves for taxes, but does not include reserves for depreciation.

CURRENT DELIVERY

In commodity fu tures trading, a distant delivery becomes a current delivery on the first delivery day of the designated futures month. The seller must give prior notice of intention to deliver. Rather than take delivery, traders or speculators prefer to sell the maturing futures contract, as they are not interested in carrying the spot commodity. (See Delivery Notice.)

CURRENT LIABILITIES

Liabilities currently maturing; liabilities which must be paid within a short time, usually one year, as distinguished from Fixed Liabilities (q. v.).

CURRENT RATIO

The ratio of current assets to current liabilities which is one of the credit barometrics applied to test a financial statement submitted by a prospective borrower.

Among credit men of the old school it has always been a rule-of-thumb formula that the applicant for credit should show at least a two for one ratio between current assets and current liabilities on his financial statement. This excess of current assets is required because the lending bank, for purposes of safety, must not only regard the prospective borrower as a going concern, but also as a liquidated one. In case a business should be forced into liquidation and compelled to realize upon its current assets at forced sale, such assets would almost certainly shrink in value, while the liabilities would remain constant or even increase if contingent liabilities existed and suddenly became primary liabilities. With a two to one ratio, current assets could shrink by 50 per cent. and still be sufficient to liquidate the current liabilities. This ratio has been used because experience has shown that current assets do not usually shrink by 50 per cent., under forced liquidation, and that therefore current assets would normally be more than sufficient to pay off current liabilities, thereby leaving a margin as a factor of safety.

The two for one formula, while safe in most cases, and practical because of its simplicity, is not scientific because it does not take into consideration other significant relations, e. g., variation in business types, merchandise turnover, terms of credit, territory served, and seasonal influences. Businesses having a rapid turnover, e. g., grocery trade, may have a current ratio considerably less than two for one and still represent a better credit risk than a furniture dealer having a full two for one ratio. In the grocery trade there is a rapid turnover of merchandise for which the demand is universal so that in the event of liquidation the business would not suffer an appreciable loss through decline in value of its inventories. In the furniture business, however, a two for one ratio might not be satisfactory, since the turnover is less rapid and the shrinkage in value in the event of liquidation would be more severe. For this reason modern credit men recognize that the current ratio standing alone is not satisfactory as a credit test, but should be considered in relation to other tests given under the subject Credit Barometrics (q.v.), and discussed under the subject Statement Analysis (q. v.).

CURRENT YIELD

Current yield on a share of stock is obtained by dividing cash dividends received for one year by current market price. If a purchase has been made, the current yield on the investment is obtained by dividing the current annual cash dividend by original purchase price. Where the stock is on a regular dividend basis, it is possible to figure current yield on such regular rate for the coming year. This is more significant for the prospective purchaser of the stock than dividend for the past year. If the stock is not on a regular dividend basis, a projection for the coming year is often made on an "indicated" basis, based on most recent payments. Dividends in same stock of the declaring corporation itself are considered to afford no true yield, although often a "yield" is calculated by reference to the distribution rate. Thus, if 2 shares are distributed for every 5 shares, the "yield" is 4%.

Current yield on a bond with definite maturity is not a true yield, as it does not reflect the premium or discount involved in holding to maturity. It is obtained by dividing the coupon rate on an annual basis by current market price or original purchase price. (See Yield.)

CURTESY

See Descent, Laws of.

CUSTODIAN ACCOUNTS

See Custodianships.

CUSTODIANSHIPS

A name given to a relatively modern facility offered by the larger banks and trust companies to their customers, viz., the safe-keeping, and accounting for under instructions, of valuable, and usually income-bearing, personal property. Custodianship accounts are also known as safe-keeping, agency, and "financial secretary" accounts.

A custodianship involves the following: (1) to keep

the property intact; (2) to collect the income-interest, dividends, rents, etc., - and disburse it in accordance with instructions; (3) to redeem bonds called at or before maturity and disburse proceeds according to instructions; (4) to receive rights which may accrue on stocks; and (5) to transmit instructions for purchase and sale of securities through a broker.

A custodianship account differs from a safe deposit account in that in the former the customer's property is kept under control of the bank but always subject to the customer's orders; whereas in the latter, the property is held entirely under the control of the renter of the safe deposit box. It differs from a voluntary trust in that in a custodianship the bank or trust company acts as agent, whereas in the latter it acts as trustee. As agent the bank or trust company is responsible for the safekeeping of the property, but as trustee it is responsible for maintaining the value of the property.

The advantages of a custodianship over a safe deposit box are: (1) in addition to protection provided by the vault, the customer has a receipt of the bank or trust company for the property, which clearly sets forth what has been deposited; (2) income is collected promptly, whereas if securities are deposited in a safe deposit box, collection is frequently delayed;. (3) orders to buy and sell securities may be left for execution; and (4) financial advice is always available and customers are automatically advised of the calling of bonds, the right to convert bonds into stocks and to subscribe to new issues, the privilege of selling to sinking funds; the increasing, reduction, or passing of dividends, the reorganization, recapitalization, or merger plans of the respective companies whose securities are held; and of any fact pertinent to investments. (See Customers' Securities Department, Safe Deposit Company.)

CUSTOM HOUSE

An office established by the Federal Government at each of the principal ports and border cities where importers declare the amount or value of imported merchandise, and where customs duties are levied and paid. Vessels bound to and from foreign ports are entered and cleared by the custom house officials, who must be notified of its arrival or intended departure. No imported merchandise can leave a steamship pier until it has been examined by the custom officers.

The tax levied and collected upon imports by Customs House officials in accordance with the tariff laws.

CUSTOMER OWNERSHIP

A term applied to the ownership of stock by customers of a corporation. This method of financing was popular with public utilities in the '20s, chiefly motivated by the aim of promoting better understanding and identification of interests with the communities served. High dividend rate preferred stocks were generally the type of security thus offered, and often with the privilege of buying the security on the installment plan. With the decline in security prices which set in during the '30s, however, this method of financing lost its chief advantages, as the decline in open market prices left customers still paying on installment contracts for stock at par, and thus created ill-will under adverse conditions. Customer ownership, however, is still a method of financing of importance for smaller concerns as a means of assuring themselves of identification with large customers or suppliers.

CUSTOMERS' LIABILITY

An account appearing in a bank general ledger or financial statement as an offset to outstanding letters of credit guaranteed but not paid. This account is an asset arising from the fact that recourse may be had against customers who may fail to fulfill the obligations which they guarantee to fulfill when letters of credit are issued to them. When a bank issues a letter of credit the customer pledges to guarantee payment of all drafts drawn thereunder. In case payment is not made at maturity according to such guaranty, the bank has recourse against the customer and has the right to attach any property that he has in the bank, including deposits, securities, or other collateral, and to start an action at law to recover any balance still remaining. (See Letters of Credit.)

CUSTOMERS' MEN

Also known as registered representatives and account executives, customers' men in brokerage houses are analogous to salesmen in investment houses, and handle customers' orders, inquiries and other contacts. The New York Stock Exchange requires customers' men to register by filing a detailed personal history and to complete successfully courses and examinations in New York Stock Exchange procedure and practice. Revocation of registration occurs upon any finding of failure to observe ethical standards and adherence to principles of just and equitable trade. Customers' men may solicit marginal transactions by calling personally upon a customer at his home provided the customer has previously given express permission in writing, and provided also that the customer's home is not situated more than a reasonable distance from the office. Under no circumstances may a customer's man guarantee a customer against loss in his account. Another rule of the Exchange forbids payment of commissions to customers' men based directly upon volume of business, as this would technically constitute splitting of commissions, which is forbidden. By payment of an annual salary rather than commissions based on activity, it is believed the temptation to stimulate unwarranted activity in accounts is avoided.

CUSTOMERS' ROOM

A room in a broker's establishment, i. e., commission house, for the convenience of customers. Its chief feature is a board upon which quotations from various exchanges are posted as soon as they are printed on the tickers. (See Board.)

CUSTOMERS' SECURITIES DEPARTMENT

The department of a bank or trust company which assumes custodianship of securities and other valuables belonging to its customers. Institutions undertaking to render these facilities offer to provide the same care in protecting customers' securities as they do their own. The customers' securities department becomes a bailee, and not only assumes custodianship of customers' securities, but may receive orders to buy and sell securities in the open market. These are transmitted for execution by a regular broker.

This department also sometimes performs such services as transferring stock, exchanging temporary securities for permanent or definitive securities, and of holding securities for safe keeping while awaiting instructions of customers. Matured coupons are detached from bonds and credited to the account of customers or

checks are remitted. These services may be rendered gratuitously or for a fee. (See Custodianships, Safe Deposit Company.)

CUSTOMS DUTY

The tax levied and collected by Custom House officials in accordance with the tariff laws upon imports.

CUSTOMS PORTS

Ports where ships carrying import cargoes enter. The principal 15 customs ports in the United States in order of their importance (for January-October, 1946), based on tonnage loaded and discharged, are: New York, Baltimore, Philadelphia, Toledo, New Orleans, Houston, Norfolk, Galveston, Newport News, Boston, Port Arthur, Mobile, Chester, Newark and Perth Amboy.

CUTTING A MELON

See Melon.

CYCLE

See Business Cycle.

CY PRES DOCTRINE

From the Norman French words meaning "near to it." A doctrine applied to charitable trusts which for one reason or another cannot be carried out in exact accordance with the terms of the trust agreement. In such cases the courts may apply the cy pres doctrine, universally recognized in the common law, and direct that the trust shall be used in such a way as will most nearly carry out the original design of the donor. This doctrine is based on the principle that the state is ultimately the protector of all objects of charity.

In New York State, the cy pres doctrine has been embodied in the statute law. The law provides that no trust for religious, educational, charitable or benevolent uses which is in other respects valid, shall be deemed invalid by reason of the indefiniteness or uncertainty of the persons designated as the beneficiaries thereunder, and that if no trustee is named, the Supreme Court shall have control over all such trusts, and if in any case it shall appear to the court that the circumstances have so changed since the creation of the trust as to render impracticable or impossible a literal compliance with its terms, the court shall have power to direct that the fund shall be administered in such manner as in the judgment of the court will most effectually accomplish the general purpose of the donor. (See Trusts.)

DAILY BALANCES

See Average Loan and Balance File, Interest Balance.

DAIRY LOANS

See Cattle Loans.

DATE

The indicated day, month and year, on which an instrument is drawn. The validity and negotiable character of a check, note, draft or other negotiable instrument is not affected by the fact that it is not dated. When a time instrument is undated any holder may insert the true date of issue or acceptance. Otherwise where an instrument is not dated it is considered to be dated as of the time it was issued.

Post-dated checks, i. e., checks dated ahead, are not payable until the due date. A bank has authority to pay a check only when it is dated as of the day of presentation or a date antecedent thereto. Where the date is missing, it may be inserted and paid. Stale checks, i.e., checks more than six months old, usually should not be paid by a bank without consulting the drawer. It is intended that checks should be presented for payment within a reasonable time after their issue.

Notes should not be dated on a holiday. If a note matures on a Sunday or holiday, according to the Negotiable Instruments Law, it becomes payable the next succeeding business day. A few states have modified this provision to make such notes payable on the preceding business day. (See Section 11, 12, 13, 85 and 186, Uniform Negotiable Instruments Law; Sections 30, 31, 32, 145 and 322, New York Negotiable Instruments Law.)

DATING

See Time to Run.

DAY LOANS

Loans made to Stock Exchange brokers without security, but only for a day as a means of circumventing Overcertification (q. v.)., which is unlawful. Necessity for such day loans has been reduced greatly by operation of clearing facilities (see Stock Clearing Corporation). In settling in the morning for the previous day's transactions, brokers settled by use of certified checks. Sometimes, however, a broker did not have the necessary balance, and overcertification (q.v.) is forbidden to banks. Consequently, in order to service these brokers, it became the practice of banks to extend a temporary day loan to the broker, provided his credit standing was of the highest type, with the undertaking that as soon as available collateral resulted during the day's transactions, it would be pledged as security for the loan as in a regular call loan. A day loan is also known as a clearance loan or morning credit.

DAY ORDER

An order good for the day only; an order placed with a broker for execution on the day it is given, after which it is automatically canceled. (See Orders.)

DAY-TO-DAY LOAN

An English equivalent for call loan in the United States.

DAY-TO-DAY MONEY

Same as Call Money (q. v.).
See also Call Loan, Call Money Market.

DAYLIGHT TRADING

Transactions for the purchase of a security balanced by transactions for the sale of such security within the course of a single trading session; or short sales effected and covered on the same day.

DAYS' DATE

See Draft.

DAYS OF GRACE

A privilege to defer payment of a note, acceptance, draft or other time instrument after the indicated maturity for a number of days. Three days of grace are allowed in England and formerly in the United States. By the Negotiable Instruments Law (Sec. 85 of the Uniform and Sec. 145 of the New York law), "Every negotiable instrument is payable at the time fixed therein without grace."

Where the instrument is not payable on demand, presentment for payment must be made on the day it falls due. Where it is payable on demand, presentment must be made within a reasonable time after its issue, except that in case of a bill of exchange, presentment for payment will be sufficient if made within a reasonable time after the last negotiation thereof. (Sec. 71, Uniform Negotiable Instruments Law; Sec. 131, New York Negotiable Instruments Law.)

DEAD ASSETS

Unproductive assets; assets which produce no income, e. g., waste or unimproved land, or an industrial plant which is not operated because of obsolete or inefficient layout and facilities.

DEAL

1. For the purposes of taxes on the privilege of doing business, to "deal" denotes regularity and recurrence of transactions, not isolated or occasional trades.

2. An expression sometimes used in finance to indicate a large transaction which involves a change in ownership usually arranged without general public knowledge, e. g., a traction deal, railroad deal, or deal in some other property.

DEALER

See Broker.

DEAR MONEY

Money obtainable only at high interest rates. (See Money Market.)

DEATH DUTIES

See Estate Taxes.

DEBASEMENT

Reduction in the purity of the metal forming the coinage of a country from its original or standard fineness. One of the purposes of Government coinage is to insure maintenance of purity of its coins. Coins may be debased by individuals, but ordinarily the term refers to the former practice of Governments in taking a part of

the pure metal out of its coins and replacing it with a baser metal. No civilized commercial country has debased its coinage in modern times, knowing that the results of debasement are disastrous upon business by undermining confidence, causing high or fluctuating prices, unstable conditions, etc. The ceremoney in England known as the "Trial of the Pyx" is established by law for the purpose of insuring the maintenance of purity of the standard coin. (See Trial of the Pyx.)

DEBENTURE

A class term for all forms of unsecured, long-term debt, whether for corporate or civil (government, state or municipal) obligations, although it is usually applied to a certificate of debt issued by a corporation.

In England debentures are often specifically secured by real estate mortgages, but in the United States are secured only generally by the assets and the general credit of the obligor. The term is usually used in connection with bonds. (See Debenture Bonds, Debenture Stock.)

DEBENTURE BONDS

Bonds without any security other than the general assets and credit of the issuer. Government, state and municipal bonds, i. e., all civil bonds, are by definition debenture bonds since they are not secured by mortgages or any other specific pledge of assets. Notwithstanding this fact, civil bonds represent the highest class of investments because their payment rests upon the taxing power and general credit.

Debenture bonds issued by corporations are, as a class, not considered high-grade investments, although where the general credit of the issuer is strong, they may command a high position. Their strength depends upon the equity in the general assets, the extent of bond issues having prior liens, range of fluctuation of earnings, and margin of average earnings over prior charges. Debenture bonds are sometimes known as plain debentures.

DEBENTURE INCOME BONDS

Income bonds not secured by a mortgage or other specific pledge of assets. (See Income Bonds.)

DEBENTURE STOCK

A term infrequently used in American finance which usually applies to a special type of stock conferring rights superior to both preferred and common stock. This stock is in the nature of a prior preference or first preferred stock.

In England debenture "stock" is equivalent to debenture bonds in America.

DEBIT BALANCE

The excess of debits over credits in an account. In a bank account a debit balance occurs when it is overdrawn. In a brokerage account a debit balance indicates the net amount due to the broker from the customer, and which the customer would have to pay in order to take up his securities. Brokers charge interest on debit balances at comparable rates.

DEBIT TICKET

A posting medium used in banking and brokerage bookkeeping to secure the posting of a transaction occurring in a certain department to the customers' or general ledger. It carries a complete description of the transaction and is preserved for future reference.

DEBITS TO INDIVIDUAL ACCOUNTS

See Bank Debits.

DEBIT

A pecuniary obligation of a debtor; a sum of money one party owes to another as a result of a transaction in which value has passed to the debtor, as evidenced by verbal or written contract or agreement. A note or bond is prima facie evidence of a debt, but an open book account can become an account stated only by the debtor's admission of liability, or by the debtor's failure to deny liability or object to the account rendered.

(See Government Debt, Internal Debt, National Budget, Public Debt.)

DEBT LIMIT

See Municipal Bonds.

DEBTEE

One to whom money or other value is owing. Rarely used term for creditor.

DEBTS OF CITIES

See Municipal Debts.

DEBTOR

One who owes money or other value, whether on open account or evidenced by note, bond, or otherwise. Debtors may be classified as individual, corporate or civil (Government, state, county and municipal.)

DEBTOR BANK

An expression used to indicate a bank which is "debtor" on net debit balance to the clearing house. (See Clearing House.)

DECEDENT

A deceased person. A term used in connection with inheritance, estates, wills, etc. A decedent who has made no will is called an intestate decedent; one who has made a will, a testator.

DECENTRALIZED RESERVE SYSTEM

See Federal Reserve System.

DECIMAL COINAGE

A coinage system in which the denominations of the principal coins are decimals of the monetary unit and the denominations of all coins and paper money are even fractional parts or multiples of the unit of value. In the United States, the dollar is the monetary unit; a dime the tenth part; a cent the hundredth part; and a mill the thousandth part, each being one-tenth of the previous unit in the series. Likewise the eagle is ten times the value of a dollar.

The advantages of the decimal system are obvious as a convenience in making money calculations. Most of the monetary systems of the world are decimal systems, England being the only great nation without it.

DECIMAL CURRENCY

The currency of nations using the Decimal Coinage (q. v.).

DECLARATION OF DIVIDENDS

Dividends on stock cannot be paid unless and until de-

clared. Power to declare dividends rests solely with a corporation's board of directors, which determines the amount and date of the disbursement. (See Dividend.)

DECLINE

A term used in connection with securities and commodities to indicate a decrease or lowering of prices. Other terms employed to suggest the same meaning, either with greater or less intensity, are fall, sag, react, soften, slump, weaken, recede, drop, retreat, slip, sell off, shade off, toboggan, and break.

DEED

In general, any instrument "signed, sealed and delivered," as the act and deed of its maker. In business, however, the term usually refers to a written instrument to convey real property, i. e., to transfer its title from the seller to the buyer. There are two ordinary types of deeds, quit-claim and warranty. The person who gives a quit-claim deed gives up his own claim and rights and interest in the property conveyed without responsibility as to whether the title is perfect or imperfect; he conveys no better title than he himself possesses. On the other hand, the person who gives a warranty deed guarantees a perfect title, and in case subsequent defects appear the purchaser is entitled to recover any loss that he may thereby sustain. (See Mortgage.)

DEED OF ASSIGNMENT

A written instrument which appoints an assignee, usually a trust company, to take charge of the affairs of an insolvent business, and which prescribes the powers and duties of such Assignee (q. v.).

DEED OF TRUST

An indebture or mortgage indenture; a written or printed instrument (mortgage) in which the title to the therein described property is conveyed to a trustee, personal or corporate, who holds the property in trust for and on behalf of others, usually holders of bonds secured by the mortgage. It is a contract involving the issuing corporation (grantor and mortgagor), the trustee for the bondholders (mortgagee), and the bondholders themselves.

A deed of trust is a comprehensive and complicated instrument, and describes (1) the duties, responsibilities and compensation of the trustee; (2) the transfer of the title to the mortgaged property to the trustee; (3) the details of the mortgaged property; (4) the covenants of the mortgagor to pay the principal and interest on the bonds, and to maintain the mortgaged property in good condition, and (5) the procedure of the trustee in case of default.

DEFACED COINS

Metallic coins which have been mutilated by clipping, sweating, cutting, punching, or otherwise. Ordinary wear and tear or abrasion is not defacement. (See Abrasion, Mutilated Currency, Sweating.)

DEFALCATION

The fraudulent appropriation or abstraction of money or property entrusted to a person by reason of his employment, or held in a fiduciary capacity by such person; usually applied to public officials or officers of corporations. (See Embezzlement.)

DEFAULT

Failure to perform an engagement or to meet an obligation, and particularly applying to the failure to pay a bond or note at maturity or the interest due thereon at the stipulated interest date. Default in payment of the principal or interest on mortgage bonds, or in setting aside sinking fund installments, gives the bondholders rights and recourse under the terms of the mortgage indenture, such as right to accelerate maturity, right to institute foreclosure proceedings, and wherever default occurs in any corporate bonds, whether secured or unsecured, the right to apply for a receivership. One who fails to meet a contractual obligation to pay money is a defaulter. (See Repudiation.)

DEFAULTED BONDS (NOTES)

No default has ever occurred in United States Government bonds. State and municipal bonds have a very low default percentage. Railroad and public utility bonds have a less enviable default record, but industrial bonds have the highest ratio of default of all classes. Among foreign government bonds, numerous defaults have occurred in principal and interest (see Foreign Bondholders Protective Council).

DEFAULTER

See Default.

DEFENSE HOMES CORPORATION

A Government corporation, incorporated October 25, 1940 under authority of Act of January 22, 1932, as amended, with authorized capital of $10,000,000, all held by the Government. Capital of the corporation was supplied by the Federal Loan Administrator from funds supplied by the President for that purpose. The corporation assisted in providing housing in localities where manufacturing was necessary in connection with facilities for the War and Navy Departments. Initially, directors and officers were drawn from the Reconstruction Finance Corporation (q.v.). Subsequently, the Federal Public Housing Authority combined the corporation's housing activities and functions with a number of other agencies in the field, and in accordance with the President's Reorganization Plan No. 3, the Public Housing Administration in July, 1947 took over control and supervision.

DEFERRED ANNUITY

See Annuity.

DEFERRED AVAILABILITY ITEMS

A name given to an account appearing in the weekly Federal Reserve Bank Statement to indicate the liability offset to "Uncollected Items" listed among the assets. Uncollected items represent the amount of checks in process of collection for member and clearing member banks by the Federal Reserve banks, i. e., checks in transit and in the process of becoming converted into cash. Uncollected items are contingent assets, while the deferred availability items are contingent liabilities. (See Federal Reserve Statement, Federal Reserve Check Collection System.)

DEFERRED BONDS

Bonds upon which the payment of interest is postponed until some condition with respect to earnings has been fulfilled, or upon which the interest periodically increases to a maximum rate, after which it remains uniform.

When the payment of the principal of bonds is deferred

without changing the status of its underlying collateral, the issued is said to be extended. (See Extended Bonds.)

DEFERRED DIVIDENDS

Dividends on stock which are postponed until a fixed time has elapsed, or until a certain event has occurred. (See Deferred Stock.)

DEFERRED INTEREST

This term has two meanings:

(1) Interest, the payment of which is postponed. When bonds are sold at a discount the amount of the discount represents what the investing public demands in the way of additional interest over the periodic cash or coupon interest to pay for the added risk involved in view of prevailing rates. While from the standpoint of the investor, this represents interest paid in advance, from the standpoint of the issuing organization it represents deferred interest. For instance, if an issue of $100,000 of bonds is sold at 5 per cent. discount, the issuing organization receives only $95,000. At maturity, however, the issuing organization must pay the bondholders $100,000. The difference, or $5,000, represents a deferred interest or additional borrowing cost, which must be accumulated evenly over the life of the bonds. (See Amortization.)

(2) The delay in crediting out-of-town (transit) checks deposited by customers having accounts with interest-bearing balances for interest purposes for the number of days required to collect them. (See Interest Balance.)

DEFERRED PAYMENTS

Payments to be made in the future. All credit transactions and time credit instruments involve deferred payments, e. g., bonds and notes. One of the functions of money is to serve as a standard of deferred payments, and as such should possess stability of value. (See Money.)

DEFERRED SHARES

See Deferred Stock.

DEFERRED STOCK

Stock, dividends on which are not payable until the expiration of a fixed time, or until some certain event has occurred. In England deferred stock ranks behind ordinary stock (the English equivalent for the American common stock), and occupies the same position with regard to ordinary stock as the latter to preference stock. Founders' Shares (q.v.) is a special type of deferred stock.

DEFICIENT RESERVES

See Reserve, Taxes.

DEFICIT

Excess of liabilities over assets; the reverse of capital or net worth. The term is sometimes improperly used as synonymous with "loss" which means an excess of expense over income during a period of time. Deficit should be reserved to refer to a condition at a fixed moment of time.

DEFINITIVE BOND (CERTIFICATE)

A permanent engraved bond (or certificate) given in exchange for a temporary or interim receipt or certificate. On account of the time required to prepare engraved bonds, it is often necessary when bonds are marketed to issue temporary receipts or certificates. Temporary certificates are then exchangeable for permanent engraved bonds when issued and ready for delivery. (See Interim Certificates.)

DEFLATION

The opposite of inflation. A period or phase of the business cycle characterized by emergency liquidation, abnormal falling prices of securities and representative staple commodities, contraction of bank loans, and decrease in bank clearings, bank deposits, volume of currency, production and employment. (See Business Cycle)

DEFUNCT COMPANY

One that has ceased to exist; a dissolved company.

Under Section 29 of the General Corporation Law of New York, upon the dissolution of a corporation for any cause, and whether voluntary or involuntary, its corporate existence shall continue for the purpose of paying, satisfying and discharging any existing liabilities or obligations, collecting and distributing its assets and doing all other acts to adjust and wind up its business and affairs, and it may sue and be sued in its corporate name.

DELAYED DELIVERY ORDERS

Orders for securities on the delayed delivery basis, in which an agreed time for delivery to the buyer, such as seven days, is specified. Specifying "DD" on the order permits sellers located at points distant from New York, for example, the necessary time in which to make delivery and yet take advantage of New York market for securities. (See Methods of Trading.)

DELIVERIES

Deliveries of securities purchased upon stock exchanges must be made in accordance with the rules of the exchange. These vary according to the method of trading.

The New York Stock Exchange and most of the other stock exchanges operate under the 3-day delivery rule. Under this plan, contracts "regular way" are settled on the third full business day following the day of execution. Such transactions must be settled by 12:30 p.m. of the third full business day (transactions on Friday or Saturday are settled on the following Wednesday).

"Cash" transactions call for the payment of money and delivery on the same day on which the transaction is executed.

"Buyer's" or "seller's" options, running up to 60 days, are another method of trading, involving future delivery.

Rule 109 of the Rules of the Board of Governors of the New York Stock Exchange outlines these methods of trading and delivery and the specific rules and conditions pertaining to each.

In the event of failure to deliver, the buying broker serves a "buy-in notice" on the seller, reciting that with failure to deliver the buying broker will buy the stock himself in the open market and make delivery to his customer, holding the defaulting broker for any loss. This is buying in "under the rule" (q.v.).

To constitute a good delivery, the securities must meet certain standards, including proper assignment, with the signature of the registered owner on the certificate witnessed by a member or guaranteed by a member. (See Good Delivery.)

DELIVERY DAY

In trading in commodity futures, the delivery day is usually considered to be the first trading or business day of the month in which the future contract matures.

Ordinarily, however, the exchange authorities determine and publish the dates for each month's deliveries. For instance, the dates for December deliveries may begin November 29th and last until December 15th, thereby permitting the purchaser to call for delivery of December's contracts at any time within that period. In the case of sellers' options, delivery may be made on any business day of the month for which the sale was made.

DELIVERY NOTICE

In commodity exchange trading, the notice sent by the seller on "Notice Day" to the clearing house containing the details of the delivery he is prepared to make on the maturing futures contract for a specified commodity. The clearing house in turn passes on the notice to the person "long", or buyer. Since most traders in futures do not wish to accept delivery of the actual commodity, instructions in advance to their broker will call for reselling the contract and passing on the notice to the new buyer, who will be a person willing to take delivery. Usually, before delivery day, the trader will have given orders to his broker to transfer his long position to later futures months in the commodity. (See Delivery Day, Futures.)

DEMAND BILLS

Sight or presentation bills. (See Bill of Exchange.)

DEMAND CERTIFICATE OF DEPOSIT

See Certificate of Deposit.

DEMAND DEPOSITS

Demand deposits are defined by the Federal Reserve Board of Governors and by the banking laws of the various states to be those payable within 30 days. Demand deposits are those subject to check and which may be withdrawn by the depositor immediately and without notice of intended withdrawal. The great bulk of demand deposits are commercial deposits of corporations, partnerships and individuals. (See Deposits.)

DEMAND DRAFT

See Draft.

DEMAND LOAN

A loan which is terminable at the option of the borrower or lender, having a fixed rate of interest, but with no prescribed maturity. The term is generally used of commercial loans, but is sometimes used as the equivalent of call loan, which properly should apply only to brokers' loans. (See Call Loan.)

DEMAND STERLING

Sight bills of exchange drawn in pounds principally on banks in London, but also on banks at other points in England. (See Sterling, Sterling Exchange.)

DEMONETIZATION

To take away from a metal the power of acting as monetary standard, i. e., to strip it of free coinage and full legal tender powers; to relegate a coin serving as standard money to serve as token money. In the United States silver was demonetized by the Act of 1873, known as the Crime of 1873 (q. v.), i. e., its quality as standard money was discontinued and although it retained its full legal tender qualities, it was not freely coined. After 1873 silver was coined on government account in large quantities under the Bland Allison Act (q. v.) and the Sherman Silver-Purchase Act (q. v.), both of which were subsequently repealed. While the Act of 1873 practically demonetized silver, the Gold Standard Act of 1900 (q. v.) definitely and formally demonetized silver by reducing the silver dollar to the position of token money and making gold the standard money. The Gold Reserve Act of 1934, approved January 30, 1934, declared the coinage of gold at an end, the metal to be held in bullion form as metallic cover. (See Standard Money.)

DEMONSTRATION

A sharp advance or sudden display of activity in a stock or group of stocks. Before the regulation of stock markets, a demonstration was usually fictitious activity, and conducted by some individual trader, clique or pool for the purpose of attracting speculative attention. Under the Securities and Exchange Act of 1934, manipulation of security prices is prohibited, including activity for the purpose of creating a false or misleading appearance of active trading.

DEMONSTRATIVE LEGACY

See Legacy.

DEMURRAGE

Literally a charge for delaying. A charge made for the loss of time in detaining or stopping a freight car on a side track, or a vessel at a pier for loading or unloading beyond the specified period permitted by the carrier.

DENOMINATION

The face value of a bond, note, coupon, coin, paper money, etc. When applied to stocks, it denotes the number of shares per certificate. Bonds usually bear $1,000 denominations, although they frequently occur in denominations of $500, $100 and $50. Government bonds are sometimes issued in larger denominations, e. g., $10,000, and as high as $50,000. The denominations of coupons vary according to the interest rate of the relative bonds and the interest period.

The denomination of stock certificates is usually 100 shares. When issued in smaller amounts they are known as fractional certificates. The denominations of the various kinds of metallic and paper money are indicated under United States Money (q. v.).

DENOMINATIONAL PORTRAITS

The portraits which appear upon each denomination of the various kinds of United States paper money. Each kind of paper money carries a series of portraits, by reference to which raised bills may be readily detected. Paying tellers, receiving tellers, money clerks and others, whose duty it is to guard against accepting raised bills, should have a thorough knowledge of denominational portraits and other features of currency designs.

On July 10, 1929, the Treasury Department first introduced reduced-size paper currency into circulation and began to retire old-size currency. The purpose of the smaller currency was to secure economy in use of paper and printing, to insure the highest degree of protection against counterfeiting and fraudulent alterations, and to eliminate confusion through simplification of the number of designs compatible with the necessity for distinguishing between the five kinds of paper money. Wholly new designs on a denominational basis are now adopted. Whereas formerly the old currency bore different designs (especially portraits) for the same de-

nomination of various kinds of currency, there is now a characteristic design and portrait for each denomination regardless of kind.

A description of the essential characteristics of the designs of the present small-size currency follows: The size is 6 5/16 x 2 11/16 inches. The principle of denominational designs has been strictly followed. The back designs are uniform for each denomination irrespective of kind. The face designs, likewise, are characteristic for each denomination as regards the important protective features, with only sufficient variation in detail to indicate the kind. Three kinds of paper currency are now issued - United States notes, silver certificates, and Federal Reserve notes. The new designs are applied to all issuable denominations of all these kinds.

The portraits assigned to the faces, and the embellishments provided for the backs, of the several denominations, are as follows:

Denomination	Portrait on face	Embellishment on back
$1	Washington	Ornate One
$2	Jefferson	Monticello
$5	Lincoln	Lincoln Memorial
$10	Hamilton	U. S. Treasury
$20	Jackson	White House
$50	Grant	U. S. Capitol
$100	Franklin	Independence Hall
$500	McKinley	Ornate Five Hundred
$1,000	Cleveland	Ornate One Thousand
$5,000	Madison	Ornate Five Thousand
$10,000	Chase	Ornate Ten Thousand

The backs of present paper currency are printed uniformly in green; the faces printed in black; and the Treasury seals and the serial numbers imprinted in the following colors:

Silver certificates	Blue
United States notes	Red
Federal Reserve notes	Green

A new type of distinctive paper was adopted for the present reduced-size currency. The paper basically is of the type formerly developed but with a higher folding endurance, particularly in the cross direction, than the paper formerly in use. The use of small segments of silk fiber as a distinctive feature has been retained, but the segments are scattered throughout the sheet and not localized in rows as formerly. The reason for the change was that, as a test of genuineness, dependence may not be placed on an outstanding characteristic, which in itself, inherently affords no protection.

DEPARTMENT OF AGRICULTURE

Created by Act of Congress on May 15, 1862. The Secretary of Agriculture achieved cabinet status in 1889. Organization of the department, under the Under Secretary of Agriculture, includes: Agricultural Research Administration; Bureaus of: Agricultural and Industrial Chemistry; Animal Industry; Entomology and Plant Quarantine: Human Nutrition and Home Economics; and Plant Industry, Soils and Agricultural Engineering: Forest Service; Soil Consevation Service; Bureau of Agricultural Economics; Office of Budget and Finance; Office of Foreign Agricultural Relations; Office of Information: and Research Center.

Administrative agencies operating under the Secretary of Agriculture include:

Production and Marketing Administration.--Created by the Secretary of Agriculture on August 18, 1945, and headed by an Administrator who is also president of the Commodity Credit Corporation, which forms the essential part of the Administration.

Farm Credit Administration.--Originally created by Executive Order on May 27, 1933, has operated as part of the Department of Agriculture since July, 1939. Included in this Administration are the Federal Land Banks, Federal Intermediate Credit Banks, Production Credit Associations and Corporations, Banks for Cooperatives, Federal Farm Mortgage Corporation, and Regional Agricultural Credit Corporation.

Farmers Home Administration.--Took over on November 1, 1946 the functions of the Farm Security Administration and of the Emergency Crop and Feed Loan Division of the Farm Credit Administration.

Rural Electrification Administration.--Originally created by Executive Order on May 11, 1935, was transferred to the Department of Agriculture on July 1, 1939.

Under the Commodity Exchange Act, which is administered by the Production and Marketing Administration, the Secretary of Agriculture designates the commodity exchanges on which futures trading may be transacted, and he is a member of the Commodity Exchange Commission, consisting of the Secretary of Agriculture, Secretary of Commerce and the Attorney General, of whom the Secretary of Agriculture is the key official administering the Act and regulating the commodity exchanges.

DEPARTMENT OF COMMERCE

One of the departments of the Federal Government with Cabinet status, the Secretary of Commerce being a member of the Cabinet. The Department was originally authorized in 1903 as the Department of Commerce and Labor. In 1933, the department was segregated into the Department of Commerce and a separate Department of Labor, the Secretary of which was also given Cabinet status. The department is divided into the following bureaus: Bureau of Foreign and Domestic Commerce (consisting of the Offices of International Trade, Small Business, Business Economics, Field Service, and Domestic Commerce); Bureau of the Census: Bureau of Standards; Coast and Geodetic Survey; Patent Office; and Weather Bureau. These Bureaus are supervised by the Under Secretary of Commerce. In carrying out its functions, which are to foster, promote, and develop the foreign and domestic commerce, mining, manufacturing, shipping and fishing industries, and the transportation facilities of the United States, the Department has achieved a basic and substantial importance, particularly to foreign and domestic business. Among the Department's publications of great value are the Foreign Commerce Weekly, the monthly Domestic Commerce, and the monthly Survey of Current Business.

DEPLETION

The tendency to exhaustion of the assets of an extractive industry, e. g., mining, quarrying, oil, forestry. As coal or ore is taken out of a mine or oil is taken out of a well, the supply is reduced and progressively approaches the exhaustion point. Proper accounting treatment calls for a charge to be made on the books of extractive industries to provide for depletion of its assets so that when the exhaustion point is reached there will be funds on hand sufficient to pay the stockholders or owners in full. This involves an estimate of ore (or oil)

reserves upon which even leading geologists and mining engineers often go astray. Under the Internal Revenue Code, in the case of mines, oil and gas wells, other natural deposits and timber, a reasonable allowance for depletion is a proper deduction from gross income. Because of the difficulty in estimating these reserves, some businesses make no attempt to provide for depletion, and accordingly no depletion charges are made. Investors or speculators in mining, oil and coal securities should determine whether accounting provision for depletion has been provided. Holders of such stock, in case depletion charges are not made, should regard dividends upon their stock as a return, not only on investment but also as a partial return of investment. Those companies which pay dividends including depletion usually indicate to the stockholders for their tax returns the proportion of dividends that is accountable to depletion and thus is a return of capital, rather than ordinary income. (See Wasting Assets.)

DEPOSIT

See Deposits.

DEPOSIT BANKING

That part of commercial banking which embraces the receiving of deposits, paying them out by check, collecting checks on other banks, and remitting on checks forwarded for collection. In addition to these activities in primary deposits, commercial banks create derivative deposits through their expansion of loans and investments.(See Bank, Commercial Bank, Deposits.)

DEPOSIT BOOK

Same as Pass Book (q. v.).

DEPOSIT CURRENCY

Checks and other credit instruments deposited with a bank as the equivalent of cash. Deposit currency is a term used to describe the character and composition of the major proportion of a bank's deposits, which consists of checks, money orders, drafts, matured acceptances, matured coupons, etc., rather than actual money. It is estimated that normally approximately 90 per cent. of the business transactions in the United States are settled by means of deposit currency. It is the only perfectly elastic currency automatically expanding and contracting with the requirements of business-expanding with business activity and high prices, and contracting with inactivity and low prices. (See Credit Instruments, Elastic Currency.)

DEPOSIT INSURANCE

Antecedents of nation-wide deposit insurance were the various State deposit-guaranty laws which followed the banking panic of 1907, as follows: Oklahoma, 1907; Kansas, Nebraska and Texas, 1909; Mississippi, 1914; South Dakota, 1915; and North Dakota and Washington, 1917. Although characterized by varying terms and restrictions which inhibited the effectiveness, basic principle of these State deposit-guaranty plans was the same, the levying of assessments upon the banks for the purpose of providing guaranty for deposits. Lack of territorial diversification and financial strength of the guaranty funds soon led to heavy losses when the number of bank failures increased. (See Federal Deposit Insurance Corporation.)

DEPOSIT INSURANCE ACT

See Bank Deposit Insurance Act.

DEPOSIT INSURANCE CORPORATION

See Federal Deposit Insurance Corporation.

DEPOSIT INTEREST RATE

The rate of interest which a bank allows upon deposits. Section 19, sub-section 12, of the Federal Reserve Act, as added by the Banking Act of 1933, and amended by the Banking Act of 1935, provides that no member bank, directly or indirectly, by any device whatsoever, pay any interest on any deposit which is payable on demand, except demand deposits payable only at an office located outside of the continental United States. This prohibition against payment of interest on demand deposits extends also to deposits of the U. S. Government and its instrumentalities.

The Board of Governors of the Federal Reserve System, by sub-section 13 of Section 12 of the Act, are empowered to limit by regulations from time to time the rate of interest which may be paid by member banks on time and savings deposits. The Board is authorized to prescribe different rates for time and savings deposits having different maturities, or subject to different conditions respecting withdrawal, or subject to different conditions by reason of different locations, or according to the varying discount rates of member banks in the several Federal Reserve districts. Thus far, however, the Board has fixed uniform rates for the entire country. Maximum rates on time and savings deposits, as established by the Board of Governors in Regulation Q, have been as follows:

	Nov.1,1933-Jan.31,1935	Feb.1,1935-Dec.31,1935	Effective Jan.1,1936
Savings Deposits	3%	2 1/2%	2 1/2%
Postal Savings Deposits	3	2 1/2	2 1/2
Other deposits payable:			
In 6 months or more	3	2 1/2	2 1/2
In 90 days to 6 months	3	2 1/2	2
In less than 90 days	3	2 1/2	1

Source--Federal Reserve Bulletin.

Maximum rates that may be paid by insured non-member banks, as established by the Federal Deposit Insurance Corporation, effective February 1, 1936, are the same as those in effect for member banks. Under Regulation Q, the rate payable by a member bank may not in any event exceed the maximum rate payable by State banks or trust companies on like deposits under the laws of the State in which the member bank is located.

Another important power of the Board is to regulate the payment by member banks of any time deposit before its maturity, or waive any requirement of notice before payment of any savings deposit except as to all savings deposits having the same requirement. Time and savings deposits payable at offices located outside the United States are exempt.

This legal prohibition of interest on demand deposits and regulation of interest on time and savings deposits are the result of the competition for deposits in which banks engaged in the past. This competition was so

fierce at times that it led various clearing house associations for the purpose of protecting the members to limit interest rates paid by members, long before the Federal statutes incorporated these restrictions. (See Federal Reserve Board Regulations.)

DEPOSIT LIABILITY (LIABILITIES)

The aggregate liability of a bank to its depositors represented by its combined demand, time and other deposits, including certificates of deposit. The deposit liabilities of a bank are the largest of all liabilities, but normally should not exceed ten to twelve times the combined capital stock, surplus and undivided profits. However, in recent years of deficit financing and World War II financing of war needs, the volume of deposits has expanded to fifteen to twenty times capital funds. Since this high deposit leverage is mainly invested in Government securities, and not risk assets, the immediate situation is not serious, but the problem of high deposit leverage has the constant attention of the supervisory authorities.

DEPOSIT LINE

The average balance to the credit of a depositor's account in a bank over a given period; the average balance of deposits. This is useful in determining the profitableness of an account and in fixing the Line of Credit (q.v.). (See Average Loan and Balance File, Twenty Per Cent. Rule.)

DEPOSIT LOAN

A loan which is created by giving the borrower a credit in his deposit account against which checks may be drawn as required.

DEPOSIT RATE

See Deposit Interest Rate.

DEPOSIT SLIP

A slip upon which the details of a deposit are listed and which accompanies the deposit when handed to the receiving teller. The deposit slip is an original entry record. It is the posting medium through which the amount of the relative deposit is credited to the depositor's account in the bank's ledger. It should be made out by the depositor in each instance, and if incorrect, the depositor should be required to submit a correct one to take its place. It is non-negotiable. If a deposit is made without the pass book a duplicate deposit slip so stamped may be made out at the same time for the convenience of the depositor.

A deposit slip "is an original entry in the eyes of the law and an important document. It is the bank's record of what the depositor offers for deposit. . . . They often become exceedingly valuable for reference in case differences and misunderstandings occur as to credit dealings with depositors" (Kniffin, W. H.: The Practical Work of a Bank). Deposit slips should be retained by the bank at least until the next statement is reconciled. Some banks keep them longer, and still others; indefinitely.

DEPOSIT TICKET

Same as Deposit Slip (q. v.).

DEPOSITARY

1. A term with the same meaning as and used interchangeably with Depository (q. v.).

2. Also, the bank or trust company may act as a depositary under plans of reorganization, escrow agreements, voting trust agreements, etc., wherein the institution accepts the deposit of securities and issues certificates of deposit therefor.

DEPOSITOR

One who has a bank account; one who has funds deposited to the credit of his account in a bank. (See Deposits.)

DEPOSITORY

A bank which is designated and authorized to accept deposits of funds belonging to the Federal Government, or other governmentalities (state, county, city, etc.), court funds, trust funds, or from other banks which the latter are required by law to maintain as reserve against deposits. A bank authorized to receive Government funds is called a Government depository; if authorized to receive state funds, a state depository; if authorized to receive trust funds, a depository for trust funds, etc. A bank authorized to receive the reserve, or portion thereof, of other banks is known as a Reserve Depository (q. v.).

The Federal Reserve Act confers upon the Secretary of the Treasury the right to use Federal Reserve banks, or member banks, as Government depositories. The twelve Federal Reserve banks were appointed to act as Government depositories and fiscal agents of the Government by the Secretary of the Treasury, effective January 1, 1916. The operations of the sub-treasuries of the United States as a part of the fiscal system were required to terminate on June 30, 1921, by an Act of Congress. The sub-treasuries are now operated as a part of the Federal Reserve banks. Member banks may also be designated as Government depositories and to act as Government fiscal agents, at the direction of the Secretary of the Treasury, and deposits made in war loan accounts, although the vast majority of Government funds are deposited with the Federal Reserve banks. Non-member banks are not eligible to act as depositories except under certain conditions to receive postal savings deposits. Banks holding deposits of the United States and the lesser governmentalities are required to pledge certain required bonds as security therefor.

In New York, state banks and trust companies must be first designated and authorized by the State Comptroller before they are eligible to receive court funds. For this purpose a surety bond is required. Any bank meeting the requirements of the law is eligible to receive trust funds, which are usually required to be segregated from the strictly banking assets.

DEPOSITORY RECEIPTS

Receipts issued by a trust company or other depository evidencing the deposit of foreign securities and facilitating trading in such interests on American stock exchanges (see American Depository Receipts).

The term is also sometimes applied to certificates of deposit issued by protective committees or reorganization committees through a designated depository, usually a trust company.

DEPOSITS

Balances due to depositors of a bank; funds credited to the accounts of depositors. Deposits may be broadly classified into general, specific and special.

General deposits consist of money or Deposit Currency (q. v.). Wherever deposits are of this character the relation between the bank and depositor is that of debtor

and creditor. The bank becomes the owner of the deposit. The depositor has a claim against the bank for the amount deposited. All deposits are mingled together and become indistinguishable. The bank is in no wise bound to return the identical deposit of cash, inasmuch as it is not a Bailee (q. v.), as it is in the case of special deposits. Should a National bank fail, the general depositor becomes a general creditor and shares in the liquidating assets available for distribution proportionately with the other general creditors. The same provisions hold good in the case of state banks in most jurisdictions, although in a few states depositors in state banks have a claim prior to other creditors.

Specific deposits are those made for a specific purpose in which the bank acts as bailee, e. g., money left to discharge a note, or to purchase securities.

Special deposits consist of property other than money, e. g., bonds, stocks, notes, life insurance policies and other valuable papers, jewelry, silverware, plate, etc., left with a bank as custodian for safe-keeping and in which title remains with the depositor. Here the relationship between the bank and depositor is that of bailee and bailor. Special deposits never become the assets of the bank, and in case of failure are not applicable to the extinguishment of liabilities, but must be returned intact to depositors. Special deposits are taken under a contract of bailment, and many banks not equipped with safe deposit vaults, provide custodianship for the valuables of their depositors, giving them the same care as their own securities, but without further liability, either for a compensation or gratuitously. (See Custodianships, Customers' Securities Department, Safe Deposit Company.)

Deposits are also classified as Demand Deposits (q. v.) and Time Deposits (q. v.); as Commercial Deposits (q. v.), savings deposits, Government Deposits (q. v.), Postal Savings Deposits (q. v.); and as Individual Deposits (q. v.) and bank deposits. Individual deposits are subdivisible into Alternate Deposits (q. v.) and Joint Deposits (q. v.).

Principal types of demand and time deposits, with their reserve requirement and interest rate characteristics, are summarized in the table below:

	Member Bank Reserve Requirements	Interest Rate
Demand Deposits:		
Individuals, partnerships and corporations	22%, 20% and 14%	None
Interbank	Same	None
Public Deposits:		
U.S.Government (war loan accounts)	Same(a)	None
States and public subdivisions	Same	None(b)
		Maximum Interest Rate
Time Deposits:		
Savings	6%	2 1/2%
Postal savings	6%	2 1/2%
Other time deposits payable:		
In 6 months or more	6%	2 1/2%
In 90 days to 6 months	6%	2%
In less than 90 days	6%	1%

(a) In April, 1943, amendment to the law exempted U. S. Government war loan accounts from reserve requirements, but this exemption expired (June 30, 1947) six months after cessation of hostilities was officially declared.

(b) Until the expiration of two years after date of enactment of the Banking Act of 1935 (August 23, 1935) the prohibition of payment of interest on demand deposits of states and political subdivisions thereof, or of trust funds if the payment of interest was required by state law, did not apply.

Banking statistics in the United States prior to 1914 are not complete as to number of banks and consistency of basis of reporting. The Federal Reserve System in 1923 began the compilation of data for all banks from official sources, and carried back its series to 1914. The table on page 175 for all banks in the United States shows the trend in number of banks and deposits since June 30, 1914, the earliest call date shown in the Federal Reserve series.

DEPRECIATED CURRENCY

Currency not accepted at its face or par value, because of depreciation in exchange value resulting from unsound fiscal policies, unfavorable balance of payments, and lack of confidence; or domestically, because of lack of redemption in standard money, or suspension of redemption in standard or lawful money. Suspension of redemption of paper money may be the inevitable result of the depletion of the metallic reserves of a country, as illustrated by the case of the currencies of European countries. The depreciation of United States notes or "greenbacks" during the Civil War and until 1879 was primarily due to the suspension of specie payment coupled with over-issue.

DEPRECIATION

An accounting term to denote the shrinkage in value of an asset due to (1) physical deterioration or wear and tear: (2) obsolescence; and (3) sudden decline in market price or commercial value. The term also refers to an operating charge made to provide for the ultimate replacement of an asset at the termination of its service life, or to offset its decline in value if it is not to be replaced.

DEPRESSION

A protracted period of business dullness when activity is below normal; that phase of a business cycle which follows a crisis and period of emergency liquidation, and characterized by a drastic curtailment of production, contraction of bank credit, business inactivity, falling or bottom prices and efforts to "feel for the bottom" in the price movement, widespread unemployment, high rate of business failures, general unsettlement, etc. (See Business Cycle.)

DERIVATIVE DEPOSITS

Deposits created out of a loan in which no cash or its equivalent, e. g., Deposit Currency (q. v.) is deposited. Among commercial banks deposits are frequently created by lending a customer a sum not in money but by credit to his account against which he may draw checks as he needs it.

DESCENT, LAWS OF

Laws, which differ in the several states, defining the

ALL BANKS IN THE UNITED STATES
(Deposits in Millions)

Call Date	Number of Banks	Total for All Banks	- - - - Commercial Banks - - - - National	State Members	Non-Members	Mutual Savings Bank
June 30, 1914	26,150	21,256	b8,560	b	b8,830	3,866
June 23, 1915	26,511	21,894	8,817	77	9,099	3,901
June 30, 1916	26,850	26,219	10,872	261	10,946	4,140
June 20, 1917	27,463	30,258	12,768	629	12,488	4,373
June 29, 1918	28,091	32,373	14,042	4,939	9,030	4,362
June 30, 1919	28,489	37,473	15,935	6,897	9,906	4,734
June 30, 1920	29,715	41,282	17,159	8,242	10,713	5,168
June 30, 1921	30,419	38,505	15,142	8,208	9,637	5,518
June 30, 1922	30,086	40,814	16,323	9,224	9,558	5,709
Dec. 31, 1923	29,505	45,893	17,826	10,681	11,008	6,378
Dec. 31, 1924	28,806	50,888	19,996	12,387	11,684	6,820
Dec. 31, 1925	28,257	54,111	21,077	13,173	12,642	7,219
Dec. 31, 1926	27,367	54,581	20,859	13,669	12,370	7,683
Dec. 31, 1927	26,416	57,622	22,856	13,801	12,700	8,265
Dec. 31, 1928	25,579	61,480	24,335	14,732	13,643	8,770
Dec. 31, 1929	24,633	59,832	22,738	15,243	13,013	8,838
Dec. 31, 1930	22,773	58,092	22,836	14,193	11,639	9,424
Dec. 31, 1931	19,970	49,509	19,210	11,501	8,786	10,012
Dec. 31, 1932	18,394	45,886	18,486	10,204	7,267	9,929
Dec. 30, 1933	15,015	42,125	17,555	9,612	5,470	9,488
Dec. 31, 1934	16,096	49,708	21,637	12,211	6,122	9,738
Dec. 31, 1935	15,893	55,239	24,802	13,652	6,914	9,871
Dec. 31, 1936	15,684	60,619	27,556	15,239	7,678	10,056
Dec. 31, 1937	15,405	58,494	26,487	14,352	7,485	10,170
Dec. 31, 1938	15,207	61,319	27,996	15,367	7,678	10,278
aDec. 30, 1939	15,035	68,242	31,559	17,781	8,378	10,524
Dec. 31, 1940	14,896	75,996	35,787	20,642	8,907	10,659
Dec. 31, 1941	14,826	81,816	39,458	22,259	9,574	10,533
Dec. 31, 1942	14,682	99,803	50,468	27,808	10,867	10,668
Dec. 31, 1943	14,579	117,661	59,961	32,302	13,671	11,738
Dec. 30, 1944	14,535	141,448	71,858	39,059	17,168	13,376
Dec. 31, 1945	14,553	165,612	84,939	44,730	20,571	15,385
Dec. 31, 1946	14,585	155,902	78,775	39,395	20,879	16,869
Dec. 31, 1947e	14,715	161,790	82,023	40,505	20,488c	17,780

Source--Statistics for All Banks, in Banking and Monetary Statistics, Board of Governors of the Federal Reserve System; Federal Reserve Bulletin, March, 1948.

a--Figures for Dec. 30, 1939 et seq. are from Federal Reserve Bulletin, July, 1947 and March, 1948.

b--Figures represent all national banks for "member banks" and all State banks (excluding unincorporated or "private" banks not reporting to States) in continental United States, as Federal Reserve Banks had not yet commenced operation.

c--As of June 30, 1946.

e--Partly estimated.

rules by which the property of an owner devolves to his descendants and is transferred to them upon his death. Property is transferred upon the death of an owner either by will, or where there is no will, in accordance with the intestate laws of the state in which the owner is a resident. In general, a person by means of a will can devise his real property and bequeath his personal property to whomsoever he pleases with the following exceptions: (1) The debts of the testator (one who makes a will) are a first charge upon the estate, (2) the widow has a right of dower (and the husband the right of curtesy) in the testator's real property, which in most states is equal to a life interest in one-third of the real property, from which the widow cannot be cut off unless a provision expressly in lieu of dower is made in the will, is assented to by her, and (3) trusts in perpetuity cannot be made.

When a person dies intestate, i. e., without having made a will, the laws of descent and distribution of the state in which the owner is resident govern the inheritance of all real property situated within the state and the succession of personal property wherever situated.

In New York State, the life estates of dower and curtesy were abolished after August 31, 1930 by Sections 190 and 189, Real Property Law, effective September 1, 1930. The common law estate by the curtesy of a husband in the real property of a wife dying after August 31, 1930 and all its incidents were abolished; and ex-

cept as to property theretofore affected, after August 31, 1930, no inchoate right of dower shall be possessed by a wife during coverture, and no widow shall be endowed, in any lands whereof her husband becomes seised of an estate of inheritance. Thus, the New York Statutes abolished curtesy entirely, because there was no such thing as a vested right of inchoate curtesy; but as to dower, the inchoate right of dower which attached to estates of inheritance prior to September 1, 1930 continues as vested property right, although there shall be no further dower in such estates of inheritance obtained by a husband after September 1, 1930.

In place of dower and curtesy, the New York Statute (Section 18, Decedent Estate Law) now provides where a testator dies after August 31, 1930, leaving a will thereafter executed, and leaving surviving a husband or wife, for a personal right of election to the surviving spouse to take his or her share of the estate as in intestacy, subject to specified limitations, conditions and exceptions.

DETROIT STOCK EXCHANGE

Founded in July, 1907, by seven brokers, and now located in the Penobscot Building. Now ranks as one of the larger "out-of-town" registered national securities exchanges. For the fiscal year ended June 30, 1946, total market value of transactions was $67,369,000, consisting entirely of stocks, with sales volume of 6,565,000 shares. Total issues traded on the exchange were 158 issues of 148 issuers, of which 102 issues were fully registered and 56 were admitted to unlisted trading privileges. Most of the securities traded in were not local in character, as 81% of the issues traded in were traded on one or more other exchanges. No bonds are listed.

DEVELOPMENT STAGE

A term used to denote the beginning or early period in the life of an industry, as when its plant is being erected, or prior to placing its product on the market. The securities of a company in this stage are purely speculative since they represent an enterprise which is unseasoned and not yet proved to be a success.

DEVELOPMENT WORK

The initial efforts in establishing a new enterprise. (See Development Stage.)

DEVISE

A gift of real property by will. (See Descent--Laws of.)

DEVISEE

A person to whom a gift of real property is made by will. (See Descent--Laws of.)

DEVISEN

Derived from the French word devise, the strict meaning of which is foreign bills and checks. The word is often loosely used, especially in Germany, where the form is devisen, to mean foreign bills and checks and foreign balances. International financial circles often use valuta as a synonym for devisen. Valuta is of Italian origin and in its narrowest sense means foreign currency. Thus a purist might say that the devisen (or devises, in the French plural form) were payable in valuta. But for the most part international banking circles use the words interchangeably to mean foreign short-term assets, whether in the form of bills of exchange, checks or balances.

DEVISOR

One who bequeaths real property to another or others by will. (See Descent--Laws of.)

DEVOLUTION

The passing of title of real estate by hereditary succession. The laws of descent and devolution vary among the states. (See Descent--Laws of.)

DIARY

A book or other record kept for the purpose of journalizing the maturity dates of notes, bonds, acceptances, or other time instruments; a tickler or maturity-index. (See Tickler.)

DIGESTED SECURITIES

Securities sold to persons who intend to keep them for the purpose of deriving an income; securities purchased outright and in the hands of real investors or ultimate owners. When first distributed an issue of securities is likely to be purchased in part by speculators who intend to dispose of their holdings at the first favorable market opportunity. This situation tends to bring about fluctuating prices. When securities are well "digested," price changes are apt to be less volatile, and reflect investment trends. (See Undigested Securities.)

DIME

The United States silver 10-cent piece. It weighs 38.58 grains and is 0.900 fine. (See Subsidiary Silver Coins, Token Money.)

DINAR

See Foreign Moneys - Iraq and Yugoslavia.

DIRECT EARNINGS

Direct earnings are those actually reported by a corporation without allowance for a possible equity in the surplus earnings, in excess of dividend payments, of subsidiary and/or affiliated companies. This term is in contrast with indirect or Equity Earnings (q. v.). Consolidated earnings include both direct earnings of the parent company, and equity earnings in undistributed earnings of subsidiaries, after allowance for minority interest.

DIRECT LIABILITY

A primary liability as distinguished from a contingent liability; an absolute and certain debt which must be paid on demand or at maturity by the principal debtor. A note is the direct liability of the maker.

DIRECT OBLIGATION

See Obligation.

DIRECTOR OF THE BUDGET

See Bureau of the Budget.

Director of the Mint

See Mint.

DIRECTORATE

The board of directors of a corporation. (See Directors.)

DIRECTORS

The persons in whom the management of a corporation rests. Section 27 of the General Corporation Law of New York states that the business of a corporation shall be managed by its board of directors, all of whom shall be of full age and at least one of whom shall be a citizen and a resident of the state.

Directors of a national bank are required to be citizens of the United States and at least three-fourths of them must have resided in the state or district where the bank is located or within 50 miles thereof, for at least one year prior to their election. Directors shall number not less than five nor more than twenty-five. Term of office is one year, but directors may continue in office until successors are appointed and qualify. Vacancies may be filled by remaining directors for unexpired terms. No interlocking directorates between member banks and securities concerns are allowed except by special permission of the Board of Governors of the Federal Reserve System, and no director of a member bank may at the same time be a director of any other bank except by permission of the Board of Governors.

Until enactment of the Banking Act of 1933, each director of a national bank was required to own unpledged stock in the bank of a par value of at least $1,000 in the case of banks with capital stock of $50,000 or more; and at least $500 par value in the case of banks with capital stock of only $25,000. Section 31 of the Banking Act of 1933 raised these requirements by requiring that every director be the bona fide owner in his own right of stock in the bank having par value of not less than $2,500, unless the capital of the bank should not exceed $50,000, in which case the holding was required to be not less than $1,500; or unless the capital of the bank should not exceed $25,000, in which case the director must own in his own right shares having a par value of not less than $1,000.

However, Act of June 16, 1934, as amended by the Banking Act of 1935, repealed so much of Section 31 of the Banking Act of 1933 as related to stock ownership by directors.

Directors of a bank must take an oath to administer the affairs of the bank diligently and honestly; and not knowingly violate or willingly permit to be violated any of the provisions of the statutes of the United States under which the bank is organized. The first board of directors is usually named in the certificate of organization, and the stockholders thereafter elect their successors in accordance with the by-laws at the annual meeting. Directors' meetings are held at least once a month, at which meetings the action of the loans and discounts committee in granting loans since the previous meeting must be approved or disapproved. The directors as a board appoint the president, vice-president, cashier and other officers. They define their duties, fix their salaries and amount of their fidelity bonds.

In addition to their general responsibility for diligence and prudence in the performance of their duties, directors of member banks are subject to specified liabilities for acts of the bank or its officers in violation of the statutes, such as fraud, embezzlement, false entries, false certification of checks, and loans or gratuities to examiners. Commissions and fees for procuring loans are forbidden to directors as misdemeanors, but any member bank may contract with any of its directors for purchases or sales of property or securities provided such transactions are passed on and authorized by a majority of the board not interested in them, and provided full disclosure of all profit realized is made and the terms are not less favorable to the bank than those offered to others. Loans to directors are not permitted unless authorized by a majority of the board. Loans to executive officers by member banks must be approved by a majority of the entire board, and are subject to limit of $2,500. Executive officers of a bank borrowing from other banks must make a written report of such loans to the board of directors of the bank.

Under Section 30 of the Banking Act of 1933, a director of a national bank or of a state member bank, after warning by the Comptroller of the Currency or a Federal Reserve agent to discontinue unsafe or unsound practices or violations of law, may be removed by the Board of Governors of the Federal Reserve System after due notice and hearing. (See Directors' Examinations.)

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DIRECTORS' EXAMINATIONS

Examination of a bank conducted by its directors. Directors' examinations are not specifically required by the National Bank Act, but are required by the banking laws of many of the states for state banks and trust companies. These laws usually permit the directors to delegate this work to a firm of public accountants. The New York state banking law requiring directors' examinations reads:

"It shall be the duty of the Board of Directors of every bank during the months of March or April and during the months of September or October in each year to examine, or cause a committee of at least three of its members to examine fully, the books, papers and affairs of the bank, and the loans and discounts thereof. . . . Such directors shall have power to employ such assistance in making such examinations as they may deem necessary. When a bank is a member of the Federal Reserve System of the United States and of the New York Clearing House Association, thereby becoming subject to at least one examination each year by the Federal Reserve Board and by the New York Clearing House, respectively, then and on account of such liability to such examination, the board of directors of such bank may omit the latter of the two examinations provided for in each year by this section."

(See Bank Examination, Directors.)

DISAGIO

The opposite of Agio (q. v.). A term used chiefly in continental Europe, meaning the discount which depreciated paper currency suffers from standard or subsidiary coins of like face value; or discount upon a coin for loss of weight by abrasion or mutilation.

DISBURSEMENT

In general, a cash payment or expenditure. It refers particularly to cash outgo representing expenses rather then outgo representing the purchase of assets.

DISCLAIMER

A renunciation or repudiation. A transportation com-

pany may place in its bill of lading a disclaimer clause refusing responsibility for losses which may arise because the "shipper's load and count" do not tally with actual deliveries made to it.

DISCOUNT

This term has six meanings:

(1) Cash Discount (q. v.).

(2) Bank Discount. Interest paid in advance, or more accurately, interest paid at the beginning of a loan based upon the sum to be repaid at its maturity. The rate of discount charged by a bank is not the same as the rate of interest paid by the borrower. Interest retained by the lender at the time a note, acceptance or bill of exchange is discounted and the proceeds given to the borrower, and not at maturity. The interest so taken is called discount, or bank discount. For illustration, suppose a $10,000 note maturing in six months is discounted at 6 per cent. The discount would be .03 of $10,000, which is $300, the proceeds being the balance, or $9,700. Although this is the commercial and bank method of computing discount, it is not mathematically correct, inasmuch as the borrower is paying interest in advance of the use of the funds, and therefore, pays interest upon interest. True discount, explained below, is the accurate method of computing interest paid in advance. (See Interest, Interest Tables.)

(3) True Discount. This differs from bank discount in that interest is computed on the proceeds or amount borrowed and does not entail the payment of interest upon interest. In principle it is the same as determining the present worth of a sum of money due on a future date. In the example used in illustrating bank discount, true discount is found first by computing the proceeds. This is ascertained by dividing $10,000 by 1.03 (1 representing the principal and .03 representing the interest on $1.00 for six months at 6 per cent.) which is $9,700.87. The true discount is the difference, or $299.13. From this result it is clear that true discount is slightly more favorable to the borrower than bank discount, which, conversely, is more favorable to the lender. (See Interest.)

(4) Discount on Securities. An expression used to indicate the amount or percentage which a security sells below par value, being the opposite of premium. A bond of $1,000 par value, selling at 90, is at a 10 per cent. or $100 discount. A stock of $25 par value, selling at 24, is at 4 per cent. or $1.00 discount.

To the issuer bond discount represents deferred interest, because the issuing organization must retire the bonds at par, thereby increasing the effective interest rate. The discount upon the issue should logically be accumulated during the life of the bonds as an additional interest charge. This process is called accumulation. (See Amortization, Deferred Interest.)

When stock is sold at discount by the issuing corporation, the amount of discount becomes in reality a deficit. It is usually offset, however, by some fictitious asset, e. g., good will.

(5) Paper money is at a discount when it does not circulate at par with the standard money or other metallic currency.

When more than a dollar of paper money must be given in order to purchase a dollar of standard money, paper money is at a discount. (See Depreciated Currency.

(6) Exchange Discount. (See Domestic Exchange, Foreign Exchange, Interest.)

DISCOUNT CLERK

A bank employee responsible for handling the clerical routine in the discount department including computations in discounting notes, acceptances, etc. He also has charge of all records maintained in connection with bills discounted, e. g., register, ledger, rate book and maturity tickler.

DISCOUNT CORPORATION

The name given to a banking corporation engaged in the purchase and discount of trade and bankers' acceptances, bills of exchange and other forms of commercial paper, etc. These corporations may be organized under Federal authority (Edge Act) or under various state jurisdictions. Their function is to supplement the regular banking facilities for discounting trade and bankers' acceptances, especially those arising out of export and import transactions.

Discount corporations are more numerous in England because of the greater volume of foreign bills handled in London, the world discount and money market. (See Edge Act, Edge Corporation, Foreign Banking Corporation.)

DISCOUNT HOUSE

See Discount Corporation.

DISCOUNT LEDGER

See Bills Discounted Ledger, Liability Ledger.

DISCOUNT MARKET

The "open" market for acceptances and commercial paper, as contrasted with a bank's discounts for its own customers. As part of the money market, the discount market consists of the Federal Reserve Banks, banks, discount houses, commercial paper houses, note dealers, etc. which make up the supply and demand for such paper.

DISCOUNT RATE

The rate of interest at which a bank discounts notes, acceptances and bills of exchange and which varies according to money market conditions, according to the borrower, and maturity. The best names (prime paper) command a lower rate than other names. This term frequently is used synonymously with rediscount rate and bank rate. (See Bank Rate, Interest Rate, Rediscount Rate.)

DISCOUNT REGISTER

See Bills Discounted Register.

DISCOUNTING THE MARKET

Anticipating an event marketwise. Discounting the market or a particular security is giving effect to the expected event before it occurs by a rise or decline in prices according to whether the future event is favorable or unfavorable. For example, if it becomes commonly acknowledged by signs of improvement that business activity will have greatly increased in the next six months, although prosperity is not now actually existent, speculators will anticipate the improvement by gradually bidding higher prices. Conversely, if business conditions are expected to become depressed in the immediate future the discounting process will take place, but in the opposite direction. "Coming events cast their shadows before," and intelligent speculation is based upon predicting the future of prices. Not all events can

be discounted, because not all can be foreseen, e. g., a Supreme Court decision, a sudden declaration of war, an earthquake, labor strikes, etc.

It is possible both to under-discount and over-discount a future event. This is what happens in practically every period of boom or depression. The momentum of speculative enthusiasm carries prices beyond the values represented by equities and potential earning power and the momentum of liquidation carries prices below these values.

The stock market is said to "register" or "discount" events from three to nine months ahead, so that by the time an event has occurred, the particular security affected or the entire market has already reflected the changed condition. In this way violent and sudden price fluctuations are prevented, or, at least mitigated.

DISCRETIONARY ACCOUNTS

Accounts placed with a broker in which the selection of securities and the time and price of their purchase and sale is left with the broker. (See Controlled Account.)

DISCRETIONARY ORDERS

Authority given to a broker to execute purchases and sales of securities at the latter's selection and option as to price, with the expectation of yielding a profit, but at the risk of the customer. Most stock exchange brokers refuse to accept discretionary orders. (See Controlled Account.)

DISHONOR

Failure or refusal by the maker of a note, or acceptor of a bill of exchange, to pay the instrument at maturity; also the refusal of a drawee bank to pay its customer's check. This is called dishonor for non-payment. Failure or refusal to accept a time bill of exchange constitutes dishonor for non-acceptance.

"An instrument is dishonored by non-payment when: (1) it is duly presented for payment and payment is refused or cannot be obtained; or (2) presentment is excused and the instrument is overdue and unpaid." (Sec. 83, Uniform Negotiable Instruments Law; Sec. 143, New York Negotiable Instruments Law.)

"A bill is dishonored by non-acceptance: 1. When it is duly presented for acceptance and such an acceptance as is prescribed by this act is refused or cannot be obtained; or 2. When presentment for acceptance is excused, and the bill is not accepted." (Sec. 149, Uniform Negotiable Instruments Law; Sec. 246, New York Negotiable Instruments Law.) "Where any negotiable instrument has been dishonored it may be protested for non-acceptance or non-payment, as the case may be, but protest is not required except in the case of foreign bills of exchange." (Sec. 118, Uniform Negotiable Instruments Law; Sec. 189, New York Negotiable Instruments Law.)

Notice of dishonor, which is informal and may be oral or written, is essential except when waived or excused in order to charge the drawer and each indorser. Any drawer or indorser to whom notice is not given is discharged. Although protest, which is formal and notarized, is not legally required in the case of domestic bills, it is preferable to have a notarized protest made because of the prima facie evidentiary value of the certificate of the notary in case of action on the instrument. (See Notarial Protest Certificate.)

A bank will dishonor a check under the following conditions: (1) when the drawer has issued a stop payment order; (2) when there is some irregularity or informality, e. g., insufficient funds, post-dated, etc. (See Irregularities); (3) upon receipt of a garnishee order; (4) upon notice of the drawer's death; and (5) upon notice of bankruptcy of the drawer, in which case the funds are held for the trustee or awaiting court order. Refusal of a bank to certify a check is not an act of dishonor.

DISSOLUTION

The winding up or termination of a business through the sale of its assets and discharge of its liabilities, first to the preferential creditors (employees for wages and Government for taxes), second to the secured creditors, third to the unsecured or general creditors, and lastly to the owners. (See Defunct Company).

DISTRESS SELLING

Imperative or necessitous selling. When stocks owned on margin are sold because declining prices have impaired or exhausted equities, it is referred to as distress selling or forced liquidation.

DISTRIBUTING SYNDICATE

See Syndicate.

DISTRIBUTION (OF ESTATES)

See Descent, Laws of.

DISTRIBUTION OF RISK

A well-known investment principle popularly expressed in the maxim, "Don't put all your eggs in one basket." The principle usually applied by conservative investors and speculators, and enforced upon the banks by the banking laws, implies the spreading of investment funds over a number of media, instead of a single medium. As an illustration of diversification in investment holdings, a fund of $100,000 might be divided in the following proportions as between different classes of investments: $20,000; other bonds, $20,000 (good grade corporates, divided among public utility, railroad and industrial bonds); $10,000 in good grade preferred stocks, divided among utility, railroad and industrial preferred stocks; and $50,000 in common stocks, divided among utility, railroad and industrial issues, and ranging in selection equally from sound, seasoned common stocks, to medium grade and more attractive of the speculative common stocks. Such a selection affords diversification both as to defensive and aggressive securities, and as to industries. The theory of diversifying investment media is to reduce the risk of loss to as near the vanishing point as possible without at the same time unduly sacrificing income. One investment medium may prove unprofitable, but it is unlikely that disaster will befall all of them, but if so, then certainly not in the same degree.

Distribution of risk does not preclude specialization in one class of investment media provided diversification in a single class is obtained. One who decides to invest exclusively in bonds should not purchase railroad bonds only, and certainly not the bonds of a single railroad. If bonds are to be the investor's specialty, purchases should be distributed among Government, railroad, public utility and industrial issues. One may, however, specialize in railroad bonds and still secure a distribution of risk, although to a less degree, by purchasing bonds of different railroad companies. Neither

does the principle preclude the selection of the highest-grade investments in each class of investment media; it simply demands that the investment be spread among several particular possibilities in a given class. Diversification is less important as a safeguard against loss in the high grade investments, although this class too is subject to depreciation from rise in money rates.

A practical application of the use of this principle is exemplified in the case of bank loans and investments. National banks are not permitted to lend more than 10 per cent. of their combined capital and surplus to one borrower (with certain exceptions). Good management requires, moreover, that a bank extend loans not only to a large number of businesses and persons but also to borrowers who represent a high diversity of business types. Savings banks are permitted to invest only a part of their deposits in various classes of bonds and mortgage loans. One of the functions of bank examinations is to see that the legal restrictions giving effect to the principle of distribution of risk are not violated, to the end that the depositors' interests may be fully protected.

The diversification principle has been widely applied in the Investment Company field (q. v.).

DISTRIBUTION OF SECURITIES

See Distribution, Period of, Investment Market.

DISTRIBUTION, PERIOD OF

The last phases of a speculative cycle which may be divided into three phases which occur in rotation, viz., accumulation, advance, distribution. Distribution is the period which follows the great advance in security prices and in which experienced speculators and large interests anticipating conditions in advance and knowing that prosperity must again give way to depression, close out their holdings while prices are still high, and before the speculative crisis which marks the beginning of a period of liquidation takes place. (See Speculative Cycle.)

DISTRIBUTOR

See Broker, Investment Market, Syndicate.

DISTRICT OFFICES

Branches or branch offices of a bank. (See Branch Banking.)

DIVERSIFICATION

See Distribution of Risk.

DIVIDEND

The proportion of the net earnings of a corporation distributed to stockholders representing their profits in the enterprise. Dividend disbursements are based either upon a percentage of the par value of the stock, or in specified dollar and cents per share, and in case of stock of no par value, a certain sum per share. Dividends are usually declared at regular intervals, e. g., monthly, quarterly, semi-annually, or annually, but usually quarterly. Dividends do not become payable until declared by the board of directors. At the time of declaration this body also sets a date for the closing of the transfer books and the date of the disbursement. (See Books Close, Stockholders of Record.)

Dividend disbursements are of three kinds, as follows: (1) cash, regular and extra; (2) scrip, interest bearing and non-interest bearing, and (3) stock.

Ordinarily, dividends are paid in cash, but sometimes when earnings have been above normal, an extra cash dividend is declared over and above the regular dividend and is so designated. It is a principle of good corporate finance that regular dividends should be paid at a rate that presumably can be maintained and that when profits are above normal, extra dividends may be declared, but specified as such.

Scrip dividends are those paid in the company's promises to pay, instead of cash. They are paid when either current or past earnings are sufficient to permit cash dividends, but the company desires temporarily to conserve its holdings of cash. Scrip dividends may bear a definite maturity date or the disbursement date may be left to the discretion of the board of directors. Such dividends may be interest bearing or non-interest bearing.

A Stock Dividend (q. v.) is a dividend payable in the company's own stock. The term is also loosely applied sometimes to a dividend in stock of another company held as an asset.

Dividends may also be paid in commodities. In many instances, corporations have distributed holdings of Liberty bonds by paying them out as dividends.

Besides dividends representing disbursements of profits, there are dividends, representing the liquidation of the assets of a business upon dissolution. Such a dividend is called a liquidating dividend.

Considerable conflict of opinion has occurred among courts and accountants as to what constitutes profits for dividend purposes. It is well understood, of course, that dividends must not be paid out of capital, but only out of profits, whether earned currently or in a past accounting period, but the questions, whether money can be borrowed to pay dividends, provided the dividends have been earned, and whether dividends should be paid out of the proceeds of the sale of fixed assets when the business continues as a going concern, have given rise to conflicting opinions.

A National bank cannot disburse its entire earnings as dividends until its surplus amounts to 20 per cent. of its capital stock. Until this amount has been reached, one-tenth of its net profits at each accounting period must be carried to the surplus account. The surplus account must be maintained at 20 per cent. of the capital and is not available for dividends. The surplus account in excess of 20 per cent. of the capital, while legally available for dividends, in practice, is rarely, if ever, invaded.

For guaranteed dividends see Guaranteed Stock. (See Stock Dividend.)

DIVIDEND BONDS

See Participating Bonds.

DIVIDEND FORECAST CHART

A chart prepared by the statistical department of a brokerage house which shows the past and present earnings and dividend rates, and the probable future dividend rates based upon current business conditions for a selected group of representative stocks; a chart showing prospective dividends for leading companies.

DIVIDEND IN LIQUIDATION

See Dividend.

DIVIDEND PAYERS

A stock market expression used to indicate corporations the stocks of which pay dividends.

DIVIDEND WARRANT

An order to pay a dividend to a stockholder.

DIVISION OF ISSUE

See Division of Redemption.

DIVISION OF REDEMPTION

The Currency Redemption Division in the office of the Treasurer of the United States. The Treasurer of the United States is the official custodian of the public funds, and among his duties are maintaining the accounts for the issue and redemption of United States paper currency and for the redemption of Federal Reserve Notes, Federal Reserve Bank Notes, and National bank notes, and directing the shipment of currency and coin between the United States Mints, Federal Reserve Banks, etc. Among the publications prepared is the monthly statement of paper currency outstanding by kinds and denominations. (See Treasury Department.)

DIVISIONAL BONDS

Bonds which are the obligation of a division of a railroad as distinguished from the rest of the system. In a loose sense, divisional bonds are branch line bonds. The most usual interpretation of a divisional bond is that it is one secured by a mortgage on the property constituting a certain division of a railroad as distinguished from property of the entire system. Divisional bonds may originally have been obligations of a separate railroad, but since taken over and assumed by another. Ordinarily divisional bonds are issued by a railroad corporation secured by a mortgage on a certain division of its property as security.

DOCK RECEIPT

A receipt given by a steamship company to the shipper or shipper's agent when goods are delivered on the steamship pier for transportation abroad. It is an interim document, an ocean bill of lading issued before shipment being given in exchange therefor.

DOCUMENTARY ACCEPTANCE BILLS

See Documents against Acceptance.

DOCUMENTARY BILLS

Bills of exchange having shipping or other documents attached, e. g., bill of lading, invoice, insurance certificate, securities, insurance policies, bonds and coupons, or other documents having intrinsic value. Documentary bills give prima facie evidence of the transfer of values and therefore of their self-liquidating nature. Where shipping documents are attached there is prima facie evidence that the bill has arisen out of a commercial transaction. Documentary bills are secured, provided the indorsement on the accompanying documents passes title to the purchasing bank, and by the liability of the drawer until the bill is accepted or paid by the drawee. (See Bill of Exchange, Foreign Bills of Exchange.)

DOCUMENTARY COMMERCIAL BILLS

Bills of exchange arising out of commercial transactions and supported by bills of lading and relative papers. (See Bill of Exchange, Documentary Bills.)

DOCUMENTARY PAYMENT BILLS

See Documents against Payment.

DOCUMENTS

A general term to denote the relative papers or documents which may accompany a foreign bill of exchange arising out of commercial transactions, and include ocean or through bill of lading, marine insurance certificate, seller's invoice, etc. Sometimes the following documents also accompany bills of exchange: consular invoice, certificate of analysis, certificate of origin, certificate of inspection, and warehouse receipt. In the strict sense documents are those instruments which convey title to the goods which secure the bill of exchange.

DOCUMENTS AGAINST ACCEPTANCE

A term which refers to domestic or foreign bills of exchange drawn "D/A," which is a notification that the supporting documents are not to be released to the drawee until the bill has been accepted. Such bills are known as documentary acceptance bills.

DOCUMENTS AGAINST PAYMENT

A term which refers to domestic or foreign bills of exchange drawn "D/P," which is a notification that the supporting documents are not to be released to the drawee until the bill has been paid. Such bills are known as documentary payment bills.

DOLLAR

The monetary unit of the United States and also of some 15 other countries (see Foreign Moneys).

Although the Monetary Unit (q. v.) and Standard of Value (q. v.) in the United States the gold dollar is no longer coined.

Subsequent to abandonment of gold standard on April 19, 1933, no gold coins were struck, nor were they allowed to circulate. The Gold Reserve Act of 1934, enacted January 30, 1934, declared the coinage of gold to be at an end. For former coinage values and contents of gold coins, see Gold Coins.

The silver dollar coined only on Government account contains 412 1/2 grains of standard silver (0.900 fine), consisting of 371 1/4 grains of pure silver and 41.25 grains of copper alloy. (See Gold Coins, Money of Account, Silver Dollar, Standard Money, Trade Dollar, United States Money.)

DOLLAR ACCEPTANCES

See Dollar Exchange.

DOLLAR BILLS OF EXCHANGE

See Dollar Exchange.

DOLLAR CREDITS

Letters of credit providing for drafts to be drawn in dollars. (See Dollar Exchange, Letters of Credit, Limitations on Acceptance Credits.)

DOLLAR EXCHANGE

Bankers' acceptances and bills of exchange drawn in a foreign country and payable in the United States or another country in dollars, or drawn in the United States and payable in a foreign country in dollars. Acceptances for the creation of dollar exchange by members of the Federal Reserve System are permitted subject to regulations of the Board of Governors, and subject to a limit at any time in the aggregate of one-half of capital and surplus. No member bank shall accept such bankers' acceptances for the purpose of creating dollar exchange

in an amount exceeding in the aggregate 10% of capital and surplus, unless documented or otherwise secured. Maturity must be not more than three months' sight, exclusive of days of grace. (See Limitations on Acceptance Credits.)

DOLLAR FOREIGN BONDS

Bonds issued by foreign governments, states, cities, or corporations in foreign countries, with principal and interest payable in dollars in the United States. (See External Bonds.)

DOLLAR STABILIZATION

See Stabilized Dollar.

DOMESTIC ACCEPTANCE

An acceptance in which both drawer and drawee are located in the United States, and, therefore, payable in this country. (See Acceptance, Limitation on Acceptance Credits.)

DOMESTIC BILLS

Bills of exchange in which both drawer and drawee are located in the United States, and, therefore, payable in this country. (See Bill of Exchange, Draft.)

DOMESTIC EXCHANGE

Inland exchange; checks, drafts (bank and commercial), and acceptances drawn in one place and payable in another within the United States, as distinguished from checks, bills of exchange, bank drafts, and acceptances drawn in this country and payable abroad which are known as Foreign Exchange (q. v.).

"Bills, drafts, etc., arising in domestic clearings, payable in any place, are sometimes spoken of as the 'exchange' of that place, although in practice 'exchange' is pretty generally limited to bank drafts. A draft on a New York bank is thus 'New York exchange,' on a Chicago bank it would be 'Chicago exchange', and so on. In the main, however, the term 'exchange' is confined to drafts on the large centers." (Agger, E. E.: Organized Banking).

Formerly, before the introduction of Par Clearances (q. v.) inaugurated by the Federal Reserve banks in 1916, the value of exchange on the various central points in the United States fluctuated in accordance with supply and demand. For example, New York exchange would be quoted in Chicago or San Francisco above or below par in accordance with the relation existing between the supply of and demand for New York funds in those centers. If the supply of New York funds held as balances in New York banks by Chicago banks was excessive and tending to increase faster than the demand for such funds, then the exchange rate on New York would be quoted at a discount; if demand was relatively heavier than supply, however, New York exchange would command a premium. As in the case of foreign exchange, the limits of fluctuation in exchange rates were fixed by the cost of shipping currency.

Under the Federal Reserve inter-district check collection system, approximately 85% of the banks of the United States have acceded to the plan of accepting and remitting for checks drawn upon themselves and passed through the Federal Reserve Check Collection System (q. v.) at par. All members of the Federal Reserve System are required to accept their own checks at par, and any other bank may use the facilities of the Federal Reserve check collection system if it signifies its willingness to do the same, thereby becoming a Clearing Member (q. v.).

Member banks are no longer obliged to be put to any expense in shipping currency from one point to another in order to create a supply of exchange against which they may sell their drafts. Federal Reserve banks are always prepared to transfer funds for the account of member banks from one part of the country to another without cost. These transfers are manipulated without actual currency shipments by means of book credits, debit and credit balances among the Federal Reserve banks being settled daily through the operation of the Gold Settlement Fund (q. v.).

Furthermore, if any bank (whether a member or clearing member) wishes to remit currency to another point in payment of its own checks presented through the Federal Reserve check collection system, it may do so and the Federal Reserve bank will pay all transportation charges. Thus the ideal of the Federal Reserve check collection system now employed in the transmission of funds from one part of the country to another is to effect a materialization of par currencies, i. e., an elimination of exchange rates without loss to the maker or indorser of a check, draft, or acceptance.

The elimination of exchange rates in the sense in which it is employed above, is different, of course, from making a charge for receiving for deposit and credit a check or draft drawn upon a bank located at an out-of-town point. Bank A in New York, which receives for deposit a check drawn on Bank B in San Francisco, does not receive the proceeds of that check for three days, since it takes three days to collect it. Bank A charges its customer for this delay in availability of the funds and expenses of collection. Such a charge is not an exchange charge at all. It is rather an interest or discount charge. The check which Bank A has received is exactly similar to a note due in three days. Just as one would not expect to have a note not due for three days accepted at par, so one should not expect to have a check not due for three days accepted at par. Such a charge is therefore justifiable, and is not only permitted but is made compulsory by clearing houses through uniform schedules of rates, designed to prevent loss to clearing house banks by standardizing rates and preventing competition for deposits.

The discount charge, commonly but improperly called exchange, made by banks in receiving out-of-town items for deposit depends upon three factors:

1. The kind of item being collected, a preferred rate being accorded bankers' acceptances, but a higher than the base rate being charged for "collection" items.

2. Whether the bank on which the item is drawn is located in a Federal Reserve city (or Federal Reserve branch city). Items drawn on these points enjoy a preferential rate because of the special collecting facilities of the Federal Reserve System.

3. The mail time between the point of deposit and the point upon which the item is drawn. This interval is important because it determines the approximate time taken for collection and the amount of interest lost while the item is in transit. (The mail time is in turn determined approximately by the geographical distance.)

In recent years, exchange charges have been practical-

ly abandoned as discussed under Clearing House Exchange Rates (q. v.).

(See Par List, Par Points.)

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DOMESTIC TRAVELERS' LETTER OF CREDIT

See Traveler's Letter of Credit.

DOMICILE (DOMICIL)

Literally, residence or home. It has acquired a technical meaning in commerce, especially in connection with negotiable instruments which are said to be domiciled at the place where they are payable, unless a contrary intent of the parties is shown, and will be governed by the laws of that jurisdiction.

In trust business domicile means residence. However, in law generally, domicile is more than mere residence, and is defined by the Restatement of the Conflict of Laws as "the place with which a person has a settled connection for certain legal purposes, either because his name is there, or because that place is assigned to him by the law."

DONATED STOCK

Stock which, having been originally issued and fully paid, has been given back to a corporation by its promoters or stockholders, representing a part of their holdings, especially when the stock has been issued in payment of property. The purpose of donated stock is to enable a corporation to raise cash for working capital purposes through its sale. If such stock was originally issued for full value in property, it is fully-paid, and, therefore, non-assessable.

DONOR

A giver; a person who creates a voluntary trust, also known as settler, grantor, and trustor. (See Trusts.)

DORMANT ACCOUNTS

Bank or brokerage accounts showing little or no activity, presumably with small and without increasing balances.

DOUBLE BOTTOM

See Bottom.

DOUBLE EAGLE

The United States $20 gold piece. It weighed 516 grains and was 0.900 fine. Coinage of all gold coins was declared to be at an end by the Gold Reserve Act, approved January 30, 1934. (See Gold Coins, United States Money.)

DOUBLE LIABILITY

A term used to indicate the liability to creditors of stockholders of a bank in the event of failure, in an amount up to but not in excess of the par value of the stock owned. Liability was thus "double" in the sense that the stockholder was subject to such assessment by the receiver in addition to losing his original investment. This additional liability was imposed upon shareholders in national banks by the provisions of Sec. 5151 of the Revised Statutes and Sec. 23 of the Federal Reserve Act. It thus afforded an additional source of funds for payment of deposits, and was generally regarded as protection for the depositors. In actual practice, however, collections from stockholders fared poorly, and with the inauguration of nation-wide deposit insurance, provision was made for elimination of double liability.

The Banking Act of 1933 provided that double liability shall not apply with respect to shares in any national bank issued after date of enactment of the Act (June 16, 1933). Later, the Banking Act of 1935 further provided that double liability shall cease on July 1, 1937 or thereafter with respect to all shares issued by any national bank, provided that not less than six months notice of such prospective termination of double liability shall be published in a newspaper locally published or circulated. If the national bank should fail to give such notice for the original July 1, 1937 termination date, double liability could thereafter be terminated six months after such notice was published.

In accordance with these provisions, national banks generally published the required notice and have terminated double liability, thus removing an objection to investment in bank stocks. State banking laws generally had similar provisions for double liability and were similarly amended.

The assessment liability upon shareholders to cover impairment in capital still continues on all national bank stock, both old and new. Under Sec. 5205, Revised Statutes, every national bank whose capital stock shall have become impaired by losses or otherwise, shall within three months after receiving notice from the Comptroller of the Currency, pay the deficiency in the capital stock by assessment upon the shareholders pro rata for the amount of capital stock held by each. If thereafter the national bank shall fail to pay up its capital stock and shall refuse to go into liquidation, for three months after receiving notice from the Comptroller, a receiver may be appointed to close up the business of the bank. If any stockholder neglects or refuses after three months' notice to pay the assessment, it shall be the duty of the board of directors to cause a sufficient amount of the capital stock of such stockholder to be sold at public auction, to make good the deficiency pro rata assessed, and the balance if any above the assessment shall be returned to the delinquent stockholder.

DOUBLE NAME PAPER

See Two-Name Paper.

DOUBLE STANDARD

See Bimetallism.

DOWER

See Descent, Laws of.

DOW JONES AVERAGES

These are the stock market averages prepared and published daily by Dow Jones & Co. in the Wall Street Journal, and upon which the Dow Theory (q. v.) has been evolved.

Industrial Average.--First industrial average was commenced on January 2, 1897, when daily average closing prices of 12 industrials were used. In 1916, the number of stocks was increased to 20, and on October 1, 1928, to 30 stocks. Initially, the average was calculated as the simple arithmetical average of the daily closing prices with, in some cases, multiples of prices of stocks split up being used for prices of the individual stocks concerned in order to keep the average free of distortion. Beginning on September 10, 1928, the constant divisor method was adopted, whereby the sum of the closing prices for the stocks is divided not by the

number of the stocks in the average, but by a figure, calculated initially on the basis of September 8, 1928 closing prices, which would give approximately the same average on the new basis as on the old basis for the day just prior to the change-over to the constant divisor method. Thereafter, the constant divisor was changed whenever necessary because of stock split-ups, stock dividends or substitutions.

At present (1948) the constant divisor is 10.98, and the stocks in the Industrial Average are as follows:

Allied Chemical
American Can
American Smelters
American Telephone & Telegraph
American Tobacco "B"
Bethlehem Steel
Chrysler
Corn Products Refining
DuPont
Eastman Kodak
General Electric
General Foods
General Motors
Goodyear
International Harvester
International Nickel
Johns Manville
Loew's
National Distillers
National Steel
Proctor & Gamble
Sears Roebuck
Standard Oil of California
Standard Oil of New Jersey
Texas Co.
Union Carbide & Carbon
United Aircraft
U. S. Steel
Westinghouse Electric
Woolworth

Railroad Average.—Originally begun on January 2, 1897, when quotations were in percentages of par value. Despite the ruling by the New York Stock Exchange on October 13, 1915 that all stocks should sell on a dollar basis, the average continued to be calculated on the percentage basis for the three issues in the average having $50 par value, Pennsylvania, Reading and Lehigh Valley, the first two until March 7, 1928, and Lehigh Valley until April 10, 1924. Beginning on March 7, 1928, the average was calculated on the simple arithmetical basis by dividing the sum of the prices by 20, the total number of issues in the average. Change-over to the constant divisor basis occurred on August 8, 1930.

At present (1948) the constant divisor is 15.32, and the stocks in the Railroad Average are as follows:

Atchison
Atlantic Coast Line
Baltimore & Ohio
Boston & Maine
Canadian Pacific
Chesapeake & Ohio
Delaware & Hudson
Delaware, Lackawanna & Western
Erie
Great Northern
Illinois Central
Louisville & Nashville
New York Central
New York, Chicago & St. Louis
Norfolk & Western
Northern Pacific
Pennsylvania
Southern Pacific
Southern Railway
Union Pacific

Utility Average.—The Dow Theory has been evolved on gyrations in the Industrial and Railroad Averages. The Utility Average was initiated in 1929, with 20 stocks, including Commonwealth & Southern and Niagara Hudson Power, which were not available for all of 1929. Accordingly, the constant divisor method was used in working back the average back for all of 1929, based on 18 stocks for the period when these two stocks were not available. On June 2, 1938, the number of stocks was reduced to 15.

At present (1948) the constant divisor is 15, and the stocks in the Utility Average are as follows:

American Gas & Electric
Cleveland Electric Illuminating
Columbia Gas
Commonwealth Edison
Consolidated Edison
Consolidated Natural Gas
Detroit Edison
Houston Lighting & Power
Pacific Gas & Electric
Niagara Hudson
Panhandle Eastern Pipe Line
Peoples Gas
Philadelphia Electric
Public Service of New Jersey
Southern California Edison

Composite Average.—This average was a simple arithmetical average of the 70 stocks then comprising the Dow Jones Industrials, Rails and Utilities when it was begun November 9, 1933. Number of issues became 65 when the Utility Average was reduced from 20 to 15 on June 2, 1938. Change-over to the constant divisor method occurred on May 10, 1945. At present (1948) the constant divisor is 50.61.

Bond Averages.—In addition to the stock averages, Dow Jones & Co. also prepare and publish the 40-Bond Average, representing the combined average of 10 high grade railroad bonds, 10 second grade railroad bonds, 10 public utility bonds, and 10 industrial bonds. The method used is the simple arithmetical average for each group, which four averages are in turn averaged to arrive at the final average for the 40-bond average. The bond averages were begun in 1915.

At present (1948), the issues in the bond averages are as follows:

10 High Grade Railroad Bonds--
- Atchison Gen. 4s, 1995
- Chesapeake & Ohio "D" 3 1/2s, 1996
- Burlington 4s, 1958
- Great Northern 3 1/8s, 2000
- Louisville & Nashville 2 7/8s, 2003
- N. Y. Central 3 1/2s, 1997
- Norfolk & Western 4s, 1996
- Northern Pacific 4s, 1997
- Pennsylvania 4 1/2s, 1960
- Virginian 3s, 1995

10 Second Grade Railroad Bonds--
- Atlantic Coast Line 4 1/2s, 1964
- Chicago Great Western 4s, 1988
- Gulf, Mobile & Ohio 3 3/4s, 1969
- Illinois Central 4s, 1955
- Mo.-Kansas-Texas 5s, 1962
- Morris & Essex 5s, 1955
- N. Y. Central 4 1/2s, 2013
- Northern Pacific 4 1/s, 2047
- So. Pacific-Oregon Lines 4 1/2s, 1977
- Southern Railway 4s, 1956

10 Public Utility Bonds--
- American Tel. & Tel. 2 3/4s, 1975
- Central N. Y. Power 3s, 1974
- Commonwealth Edison 3s, 1977
- Consumers Power 2 7/8s, 1975
- Detroit Edison 3 1/2s, 1966
- New England Tel. & Tel. 4 1/2s, 1961
- Ohio Edison 3s, 1974
- Pacific Gas & Electric 3s, 1970
- Philadelphia Electric 2 3/4s, 1974
- Virginia Electric & Power 2 3/4s, 1975

10 Industrial Bonds--
- Bethlehem Steel 2 3/4s, 1970
- Continental Baking 3s, 1965
- Deere & Co. 2 3/4s, 1965
- Goodrich 2 3/4s, 1965
- Liggett & Myers 5s, 1951

Lorillard 3s, 1963
National Dairy 2 3/4s, 1970
National Steel 3s, 1965
Shell Union Oil 2 1/2s, 1971
Wilson & Co. 3s, 1958

In addition to the above 40-Bond Average, Dow Jones & Co. on November 7, 1936 began publication of the 10-bond Defaulted Rail Average, which has been succeeded by the Income Railroad Bond Average. In 1928, the Municipal Bond Average was also inaugurated, which since October 26, 1934 has been computed weekly, based on arithmetical average of yields of 20 20-year bonds, taken at offering prices.

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Range of Dow Jones Average in Recent Years

	----Industrials----			-----Rails-----		
	High	Low	Close	High	Low	Close
1936	184.90	143.11	179.90	59.89	40.66	53.63
1937	194.40	113.64	120.85	64.46	28.91	29.46
1938	158.41	98.95	154.76	33.98	19.00	33.98
1939	155.92	121.44	150.24	35.90	24.14	31.83
1940	152.80	111.84	131.13	32.67	22.14	28.13
1941	133.59	106.34	110.96	30.88	24.25	25.42
1942	119.71	92.92	119.40	29.28	23.31	27.39
1943	145.82	119.26	135.89	38.30	27.59	33.56
1944	152.53	134.22	152.32	48.40	33.45	48.40
1945	195.82	151.35	192.91	64.89	47.03	62.80
1946	212.50	163.12	177.20	68.31	44.69	51.13
1947	186.85	163.21	181.16	53.42	41.16	52.48

	Industrials	Rails
1929 High (Sept. 3)	381.17	189.11
1932 Low (July 8)	41.22	13.23

DOW THEORY

A theory of stock price movements, based upon average prices, originated by Charles H. Dow, founder of The Wall Street Journal. The first editorials on this theory appeared in 1900-1902. The theory was later developed and extended by William Peter Hamilton, Dow's successor. According to the theory, the stock market is its own barometer; a bull market period continues as long as new high points in secondary movements exceed the preceding high point. Contrarywise, a bear market period continues so long as secondary movements get lower than the preceding one. Additionally, a bull or bear movement is further confirmed when the average of railroad stocks confirms the preceding action of industrial stocks, or vice versa.

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DRACHMA

See Foreign Moneys—Greece.

DRAFT

A written order drawn by one party (the drawer) ordering a second party (the drawee) to pay a sum of money to a third party (the payee). Oftentimes the drawer and payee are the same party, the draft being made payable to "Ourselves". In reality, a draft is a bill of exchange, except that in this country the term draft is customarily used in domestic transactions, whereas, both terms, draft and bill of exchange are used in foreign transactions. A draft may be made non-negotiable, but a bill of exchange cannot. Drafts have all the chief characteristics of bills of exchange.

Drafts are of three kinds: (1) sight, demand or presentation drafts, payable immediately at sight, or on demand or presentation; (2) arrival drafts—a modification of a sight draft—payable upon the arrival of goods at the destination of the drawee and for which the draft has been drawn in payment; (3) time drafts—payable at a fixed date, or a certain number of days after date (the latter sometimes being called "days after date" drafts).

A time draft payable 30 days after sight must be presented for acceptance, and at maturity for payment. A 30-day sight draft is payable 30 days after Acceptance (q.v.) by the drawee, when it becomes an acceptance or note. Upon acceptance the drawee becomes the acceptor and principal debtor, and is bound to pay the draft at maturity. The bank at which a draft is payable should be indicated on the face of the instrument by the acceptor.

Drafts usually arise out of commercial transactions in which the buyer and seller are located at different points. A draft differs from a check in that it may be a time instrument drawn on an individual, firm, corporation or bank, and the initiative for payment of the goods is taken by the seller and not the buyer. Usually previous arrangements have been made between the buyer and the seller which permit the seller to draw drafts against the buyer in settlement of all transactions between them. Generally a shipper (seller) sends the draft drawn against the drawee (buyer) to its bank to make a presentation and collection with shipping documents attached. The shipper's bank then forwards the draft with documents to its correspondents in the city to which the goods are destined. Instructions are given to the collecting bank to surrender the bill of lading either upon acceptance or payment of the draft, the documents being referred to as "documents against acceptance," or "documents against payment," respectively.

Some drafts do not arise out of commercial transactions, but to secure payment for securities sent from one place to another, the draft being sent to a bank for collection with instructions to release the securities only upon payment. Other drafts, without documents attached, merely operate as "duns" or demands for payment of bills past due. (See Arrival Draft, Bill of Exchange, Foreign Bills of Exchange, Trade Acceptance.)

DRAWEE

The party, whether an individual, firm, corporation or bank, against which a check or draft is drawn and from which payment is expected.

DRAWER

A party, whether an individual, firm, corporation or bank, which draws, i. e., makes, a check, draft, or bill of exchange. The drawer is also known as the maker. In the case of a check the drawer is a debtor, and therefore, the payer, while in the case of a draft and bill of exchange the drawer is the creditor, and also very often the payee.

DRAWN BONDS

Bonds which have been called for redemption by lot. (See Called Bonds.)

DRIVE

An expression to indicate a sudden attack upon security or commodity values by sellers in an effort to force prices down. Section 9 of the Securities and Exchange Act of 1934 prohibits manipulative practices in such activity. (See Manipulation.)

DROP

An expression to indicate a fall in security or commodity prices. (See Decline.)

DUE DATE

The date upon which a note, draft, acceptance, bond, or other evidence of debt becomes payable; the maturity date. (See Time to Run.)

DUE FROM BANKS

An asset account appearing in the general ledger and financial statement of a bank to indicate the aggregate amount of balances outstanding with and due from other banks.

DUE FROM BANKS, COLLECTIONS

A contingent asset account appearing in the general ledger and financial statements of a bank to indicate the aggregate amount of out-of-town checks in process of collection, but not yet available as cash, through the medium of collection agents or correspondent banks. When the items are collected, the amount is added to the account entitled "Due from Banks," and subtracted from this account.

DUE FROM FEDERAL RESERVE BANK (OR FEDERAL RESERVE BANK ACCOUNT)

An asset account appearing in the general ledger and financial statement of a member or clearing member bank to indicate the balance due from a Federal Reserve bank. This amount represents approximately the cash reserve required by law to be kept with the Federal Reserve bank.

DUE FROM FEDERAL RESERVE BANK, COLLECTIONS

A contingent asset account appearing in the general ledger and financial statement of a bank to indicate the aggregate of checks in the process of collection, but not yet available as cash reserve through the agency of the Federal Reserve bank. When these items are collected, the account entitled, "Due from Federal Reserve Bank" is increased, and the amount subtracted from this account.

DUE FROM FOREIGN EXCHANGE DEPARTMENT

An asset account appearing upon the general ledger or financial statement of a bank to indicate the aggregate funds entrusted with the foreign department for use or investment in foreign exchange operations. The operations of a foreign department are usually considered as distinct from those of the rest of the bank, and its bookkeeping operations are kept separate. This sum represents the accountability of the foreign department to the bank.

DUE TO BANKS

A liability account appearing in the general ledger or financial statement of a bank to indicate the aggregate amount deposited by banks as distinguished from individuals, firms and corporations (other than banking corporations).

DULL

An expression used on a stock or commodity exchange to indicate inactive trading, and that little interest is displayed in the movement of prices.

DUMMY

A term used in connection with directors, officers, stockholders, etc., to indicate a person who acts for another, but who has no real responsibility or liability. He is merely placed in office to complete the number required by law or for publicity purposes.

DUMP

To offer suddenly for sale large blocks of securities on the market for the purpose of disposing of them regardless of the prices offered; to unload large blocks of a security or securities.

In a commercial sense this term is used in connection with international trade. When one nation floods the market of another with large quantities of a certain commodity or commodities at prices lower than they can be purchased at home, or in other foreign countries, the foreign nation is said to be dumping its goods in the other country's market.

DUN & BRADSTREET

The oldest and largest mercantile agency of the United States and of the world, supplying credit information and credit ratings on and for all types of business concerns. The present company, Dun & Bradstreet, Inc., represents an amalgamation, as of March 1, 1933, of two nation-wide credit information agencies, R. G. Dun & Co. and The Bradstreet Company.

Lewis Tappan, pioneer credit executive and originator of the idea of centralized credit reporting, was first proprietor of The Mercantile Agency, which he founded in 1841. Succession of proprietorship of The Mercantile Agency was as follows: Lewis Tappan & Co., 1841-1849; Tappan & Douglass, 1849-1854; B. Douglass & Co., 1854-1859; and R. G. Dun & Co., 1859-1933. The J. M. Bradstreet & Son's Improved Mercantile Agency was founded in 1849, and was incorporated in 1876 as The Bradstreet Company, continuing as such until the merger with R. G. Dun & Co. in 1933. John M. Bradstreet was a dry goods merchant and lawyer who had acquired a substantial file of credit information in the process of liquidating a large estate.

In addition to its credit agency functions, Dun & Bradstreet, Inc. publishes a monthly magazine, "Dun's Review", which contains articles on the effects of significant developments in business and also reports on current trends in business. It gives the points of view on controversial questions by leaders in the fields of business, labor, government and education. It also compiles and prepares for news releases and publication in its own publications the "Trade Review of the Week"; "Wholesale Commodity Price Index"; "Wholesale Food Price Index"; "Building Permits"; "Bank Clearings"; "Business Failures"; and "U. S. Regional Trade Barometers."

DUN & BRADSTREET DAILY WEIGHTED PRICE INDEX

A weighted index of the wholesale prices of 30 basic commodities, compiled from quotations furnished by the United Press Associations, and distributed daily over the wires of that organization. The index is expressed

as relatives of the base 1930-1932. Current figures are available in press releases issued each Wednesday, and also published monthly in Dun's Review and Dun's Statistical Review. Back figures are available from 1932 to date.

DUN & BRADSTREET WEEKLY FOOD INDEX

This composite index is compiled weekly, and represents the unweighted sum total of the price per pound of 31 food items in general use. It is not a cost of living index. The weekly index figures are available back to 1916. Current index figures are available in the form of press releases.

Commodities used in constructing the index are essentially the same from week to week. On very rare occasions the substitution of one commodity for another is necessitated by circumstances beyond control. Spot closing prices at New York, except where otherwise stated, are used.

DUPLICATE BILLS

Bills in a Set (q. v.). (See First of Exchange.)

DUPLICATE BILL OF EXCHANGE (CHECK)

See First of Exchange.

DUPLICATE DOCUMENTS

Documents in a set. (See Bills in a Set.)

DUTY

See Customs Duty, Tariff.

EAGLE

The United States $10 gold piece. It weighs 258 grains, and is 0.900 fine. Coinage abandoned since 1933. The Gold Reserve Act of January 30, 1934 declared the coinage of gold to be at an end. (See Gold Coins, United States Money.)

EARMARKING

Under Section 14 of the Federal Reserve Act, the Federal Reserve Bank of New York maintains accounts with foreign central banks of issue. As part of the operations of such accounts, gold may be held by the Federal Reserve Bank under earmark for the account of the foreign central banks or foreign governments. Earmarked gold is not part of the monetary gold stock, which is all held by the Treasury. Gold reserves of the Federal Reserve Banks consist of gold certificates issued by the Treasury or gold certificate credits.

The President of the United States, under authority of the Act of October 6, 1917, as amended by Act of March 9, 1933, may prohibit or regulate by means of licenses or otherwise, any transactions in foreign exchange, transfers of credit between or payments by banking institutions, and the export, hoarding, melting or earmarking of gold or silver coin or bullion or currency. (See Emergency Banking Relief Act, Gold Reserve.)

EARNING ASSETS

Loans, discounts and investments of a bank, constituting the major source of earning power for a commercial bank. Expansion in earning assets depends upon the availability of excess reserves (q.v.), and results in expansion in deposits of the banking system. Conversely, credit deflation (contraction in earning assets) reduces deposits and adds to excess reserves of the banking system. Despite quantitative and qualitative controls over credit expansion and contraction, such as reserve requirements, open market operations and fixing of bill buying and discount rates, statutory limitations on loans and investments, and examination standards, expansion and contraction in earning assets are largely a matter of individual bank credit policy. As a practical matter, however, individual banks tend to follow the group trend, voluntarily (to "keep up" with competitors) during expansion, and in self-protection (to avoid being last in liquidation of loans and investments) whenever the spiral of deflation is started. (See Credit.)

EARNING POWER

The ability of a business consistently to employ its capital profitably over a period of time. When profits show a reasonable return to invested capital and are sufficient also to provide for a high standard of maintenance of properties and necessary plant extensions, the concern is said to have a demonstrated earning power. Demonstrated earning power is the best test of the Business Risk (q. v.) in passing upon an application for a loan.

EARNINGS

Another term for profits. (See Gross Profits, Gross Revenue, Net Profits.)

EASED OFF

An expression which signifies a gradual and small decline, say fractional to one point, in security or commodity prices, without evidence of selling pressure or of enforced liquidation.

EASY MONEY

Money that can be obtained at low interest rates and without difficulty because of the existence of a plentiful supply of excess reserves (q. v.) among the banks. (See Money Market.)

ECONOMIC CYCLE

See Business Cycle.

ECONOMICS

The study of all phenomena relating to wealth and value. One of the social sciences that deals with economic goods, the creation of wealth through satisfaction of human wants, the explanations of wealth, value, and price, the distribution of income, the mechanism of exchange and markets, etc. It is variously defined in a brief way as the "science of wealth," the "science of business," "science of the development of material resources, and the production, preservation, and distribution of wealth," the "science of consumption, production, value and distribution, and exchange," etc.

Other definitions are: "The study of business in its social aspect; the word 'business' being used in its broadest sense, to cover all lawful ways of making a living" (Clay, H.: Economics for the General Reader). "Economics is the science which treats of those social phenomena that are due to the wealth-getting and wealth spending activities of man" (Ely, R. T.: Outlines of Economics). "Economics may be defined as the fundamental science of business and of social life. The term is used to describe the body of facts, principles, theories, and data of every kind that have to do with the production, distribution, and consumption of wealth" (Roberts, G. E.: Economics for Executives).

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EDGE ACT

An act passed December 24, 1919, as Section 25 (a) of the Federal Reserve Act, with the title "Banking Corporations Authorized to do Foreign Banking Business." The purpose of this legislation was to permit the establishment under federal jurisdiction of foreign banking corporations to aid in the finance of and to stimulate foreign trade. Such a law had been advocated strongly by the Federal Reserve Board for some years, and represented the latest development in the historical evolution of American banking legislation to procure for American business and financial interests a larger participation in foreign trade and in the profits derived from lending our credit to foreign buyers.

The original Section 25 of the Federal Reserve Act was the first step taken in the interests of foreign trade upbuilding. By this section any National bank with a capital and surplus of one million dollars or more was permitted to establish branches in foreign countries and dependencies of the United States with the approval of the Federal Reserve Board. Prior to 1913 practically all the financing of foreign trade had been undertaken by British banks and discount houses, and only a small part of the business was participated in by a few private banks and discount houses in New York.

During World War I the need of further legislation to provide for our growing foreign trade became apparent, and Section 25 of the Federal Reserve Act was amended to permit National banks having legal capital requirements to invest in the capital stock of American banks or corporations already engaged in foreign banking. A few institutions engaging in foreign banking were organized under the banking laws of several of the states, but they were inadequate to provide for all the business. Accordingly the McLean-Platt Act, which permitted National banks without regard to the amount of their capital and surplus to purchase the capital stock of corporations of the type contemplated by the Edge Act, but not in excess of 5 per cent. of their capital and surplus, was passed.

The Edge Act provides for the federal incorporation and regulation of banks engaged in international banking, or in similar operations in a dependency or insular possession of the United States, either directly or through the agency, ownership or control of local institutions in such places. Although the line of demarcation is not

sharply drawn, two separate classes of corporations are contemplated by the Edge Act--one to deal in short-term paper, and the other to deal in long-term paper, bonds and mortgages, and with power to issue debentures.

Edge corporations are chartered by the Board of Governors of the Federal Reserve System for 20 years with a minimum capital of $2,000,000. They have power to deal in bonds; buy and sell all classes of commercial paper; to accept bills of exchange drawn upon them under the regulations and subject to the limitations imposed by the Federal Reserve Board of Governors; to issue letters of credit; to deal in foreign currencies and bullion; to receive deposits abroad subject to check; to receive deposits in the United States but not subject to check; to invest in the stock of another Edge bank; to establish branches and agencies abroad but not in the United States; to issue debentures, bonds and notes with the approval of the Board of Governors of the Federal Reserve System; and incidental powers permitted by the Board of Governors of the Federal Reserve System. (See Federal Reserve Act, Sec. 25a.)

EDGE CORPORATION

A foreign banking corporation organized under Section 25 (a) of the Federal Reserve Act. (See Edge Act.)

EDISON ELECTRIC INSTITUTE

The trade association of the principal electric light and power companies of the United States. As stated in its constitution, the objects of the institute are:

1. The advancement in the public service of the art of producing, transmitting and distributing electricity and the promotion of scientific research in such field.

2. The ascertainment and making available to the members and the public of factual information, data and statistics relating to the electric industry.

3. To aid its operating company members to generate and sell electric energy at the lowest possible price commensurate with safe and adequate service, giving due regard to the interests of consumer, investor and employee.

EGGS

For details of futures trading in eggs, see Chicago Mercantile Exchange.

EIGHTH STOCKS

In New York Stock Exchange trading, all odd lot trades are now executed 1/8th of a point away from the bid or offer of last round lot execution. (See Odd Lot, Odd Lot Brokers.)

ELASTIC CURRENCY

Money which can be expanded or contracted according to commercial needs. Elasticity is one of the essential qualities of a good medium of exchange and a sound currency system should provide this characteristic. Before the Federal Reserve Act our currency system failed to provide for an elastic currency, but Federal Reserve notes, issued under the authority of the Federal Reserve Act, now supply the elastic element which is lacking in other forms of United States currency. Since Federal Reserve notes now represent the largest portion of our circulating medium, elasticity is imparted to the entire circulation. Elasticity is secured by basing the volume of circulating medium upon the volume of credit. Federal Reserve notes expand as business expands, as indicated by increased turnover of member bank deposits and demand for currency to meet withdrawals by drawing on free balances (excess reserves) at the Federal Reserve Banks. Likewise when business contracts, the volume of currency in excess of till requirements is turned in, excess reserves increased, and the excess of Federal Reserve notes withdrawn from circulation. (See Federal Reserve Notes.)

ELECTRIC POWER OUTPUT

Electric output in kilowatt hours is released weekly by the Edison Electric Institute, and is one of the basic business barometers of general business activity. During the twenty years 1926-1946, sales of electric power by private companies increased from 53 bullion kwh to 155 billion kwh, the latest 15-year period from 1932 to 1946 showing a particularly substantial growth of 300%. Average annual growth for the 20 years was about 7 1/2% annually, a rate which has been substantially exceeded in recent years--12% per year for the period 1938 to 1943 and for 1947, about 10% to 15% above 1946 output. (See Public Utility Industry.)

ELECTRIC LIGHT AND POWER INDUSTRY

See Public Utility Industry, Public Utility Regulation, Public Utility Stocks, Superpower.

ELECTROLYTIC COPPER

See Copper.

ELEVATOR RECEIPTS

A receipt issued by an elevator company to an owner of grain held in storage at an elevator. They are similar in all respects, e. g., legal status, negotiability, and collateral uses, with warehouse receipts. (See Warehouse Receipt.)

ELIGIBLE ACCEPTANCES

See Eligible Paper, Federal Reserve Board Regulations (Regulation A).

ELIGIBLE AGRICULTURAL PAPER

See Eligible Paper, Federal Reserve Board Regulations (Regulation A).

ELIGIBLE BILLS OF EXCHANGE

See Eligible Paper, Federal Reserve Board Regulations (Regulation A).

ELIGIBLE FOR REDISCOUNT

See Eligible Paper, Rediscount.

ELIGIBLE INVESTMENT FOR INSURANCE COMPANIES

See Insurance, Insurance Companies, Insurance Company Investments.

ELIGIBLE INVESTMENTS FOR SAVINGS BANKS

See Legal Investments for Savings Banks, Savings Banks.

ELIGIBLE INVESTMENTS FOR TRUST FUNDS

See Legal Investments for Trust Funds.

ELIGIBLE NOTES

See Eligible Paper, Federal Reserve Board Regulations (Regulation A).

ELIGIBLE PAPER

Generally speaking, to be eligible for rediscount at a Federal Reserve bank, a note, bill of exchange, or trade or bank acceptance must possess the following characteristics: (a) it must arise out of a commercial, industrial, or agricultural transaction, i. e., must be issued or drawn, or the proceeds must be used, for the production, purchase, carrying or marketing of goods (wares, merchandise, or agricultural products, including live stock) in one or more steps of the process of production, manufacture, or of distribution (see Commercial Paper); (b) it must not have a maturity exceeding 90 days, except that agricultural paper may have a maturity of nine months; (c) it must bear the member bank's indorsement; and (d) every application for rediscount must contain a certificate of eligibility, executed by the member bank. Aggregate of notes, drafts, and bills bearing the signature or indorsement of any one borrower, whether person, firm, company or corporation, rediscounted for any one member bank, whether state or national, must not exceed at any time, 10 per cent, of the unimpaired capital and surplus of such bank, this restriction, however, not applying to the discount of bills of exchange drawn in good faith against actually existing values. (See Federal Reserve Board Regulations, Regulation A.)

EMBEZZLEMENT

The fraudulent appropriation by a public officer, or any other person occupying a fiduciary capacity, of the property entrusted to him by virtue of his employment. Embezzlement is not to be confused with larceny or burglary, which imply a wrongful taking away of property belonging to another by trespass or assault. Embezzlement is a misdemeanor or felony, depending upon the value of the property, and is a statutory crime punishable by imprisonment.

EMERGENCY BANKING RELIEF ACT

An act passed March 9, 1933, which confirmed all previous proclamations of President Roosevelt and the then Secretary Woodin issued during the bank crisis that confronted the inauguration of the new Democratic administration. Vested in the President and made applicable to peace time emergencies the World War I powers of regulation over transactions in credit, currency, gold and silver, including foreign exchange, fixing maximum penalties of $10,000 fine and ten years' imprisonment for violators. Empowered the Secretary of the Treasury to require delivery at the Treasury of all gold and gold certificates held by anybody in the country. Authorized the President, without invoking the war powers, to fix restrictions on the banking business of Federal Reserve members.

Allowed the Comptroller of the Currency to appoint conservators for any national bank when considered necessary to conserve its assets; enabled the conservator to set aside for withdrawal by depositors on a ratable basis such amount as the Comptroller decided might be safely used; permitted the Comptroller to allow banks under conservators to receive new deposits, which would be segregated and subject to withdrawal without restriction; and permitted the reorganization of national banks upon the approval of the Comptroller, and as the case might be, either of depositors of 75 per cent. of total deposits or holders of two-thirds of the outstanding stock, or both.

Provided for the issuance of preferred stock by national banks and for the purchase of preferred stock of national and State banks and for loans upon the security of such stock by the RFC when necessary to supply funds for organization or reorganization of such banks.

Authorized issuance of Federal Reserve Bank notes redeemable in lawful money of the United States, these notes to be issued to the value of 100 per cent. government obligations deposited as security and to the value of 90 per cent. of the notes, drafts, bills of exchange and bankers' acceptances deposited as security.

Permitted Federal Reserve Banks to make banknote advances to member banks on time limit of March 3, 1935.

Authorized Federal Reserve Banks to make ninety-day banknote advances to any individual, partnership or corporation on promissory notes secured by Federal obligations. (See New Deal.)

EMERGENCY CURRENCY

Before the Federal Reserve System was in operation, it was sometimes necessary to resort to the issue of emergency currency in case of a sudden need for money, e. g., a severe panic. Notes issued by National banks under the Aldrich-Vreeland Act of 1908 were of this type. The New York Clearing House banks, also, through the New York Clearing House Association, were compelled in six different crises, the last being in 1907, to issue clearing house loan certificates. These certificates were used only among the members of the New York Clearing House, but were effective in increasing the supply of money by enabling the banks to settle inter-bank transactions. (See Clearing House Loan Certificates.)

EMPHYTEUTIC LEASE

The name of a contract in the nature of a perpetual lease by which the owner of an uncultivated piece of land granted it to another either in perpetuity or for a long time on condition that he should improve it, by building on, planting or cultivating it and should pay for it in annual rent, with the right to the grantee to alienate it or transmit it by descent to his heirs and under a condition that the grantor should never re-enter as long as the rent shall be paid to him by the grantee or his assigns.

EMPLOYEE STOCK OWNERSHIP

As inducements to good labor relations, improved labor efficiency, and reduced labor turnover, American corporations during the late '20s broadened stock ownership to include their employees under stock purchase plans providing for favorable terms, including prices below the market and provision for installment payments. Subsequently, however, the drastic 1929-1932 deflation in stock prices caused severe decline in the market price of the stock below subscription price, leading to dissatisfaction and friction over the necessity for continuing payments under such then unfavorable terms. Accordingly, many corporations offered to repurchase the stock involved at original contract price and thus eliminate the employee stock purchase account altogether, while others made substantial adjustments in the subscription price, and still others sought by loans to employees on liberal terms to induce employees to complete their original commitments. Most corporations which encountered such difficulties were glad to terminate the employee stock purchase program at the earliest opportunity.

Although many corporations have thus abandoned the

idea of selling stock to employees, the larger corporations, especially public utilities, still consider this a suitable source of improved employee relations. A typical modern Employees' Stock Plan is that of the American Telephone & Telegraph Company. Under the Plan approved by stockholders in October, 1946, the company in September, 1947 offered stock to its own employees and employees of subsidiaries, excepting officers, at the rate of one share for each full $500 of annual basic rate of pay as of August 31, 1947. The maximum subscription for any one employee was limited to 50 shares. Elections to purchase more than 1,430,000 shares were received.

EMPLOYMENT STATISTICS

Employment, the most important single factor in the economy, is measured by two principal types of statistics, as classified by the Statistical Abstract of The United States: 1. Those compiled from the "population approach", which includes data from the Census of Population and the Monthly Report on the Labor Force of the Bureau of the Census; and 2. those obtained by the "establishment approach", including data from the monthly series of the Bureau of Agricultural Economics of the Department of Agriculture, and the Bureau of Labor Statistics.

Statistics on the labor force data of population are estimated by the Bureau of the Census monthly after obtaining sample information by interviews of households. The labor force as now defined includes persons 14 years old and over who had a job or were seeking one during the specified period. As of January, 1948, the total civilian labor force of the United States was estimated at 59,214,000 persons, of whom 57,149,000 were employed and 2,065,000 unemployed. In June, 1947, total civilian employment exceeded 60,000,000 for the first time in United States history. Average for 1947 was 58,000,000, nearly 3,000,000 above 1946 and more than 10,000,000 above 1940 and 1929. Unemployment reached a low of 1,621,000 for 1947 in November, 1947, as compared with lows on the average of 670,000 for 1944 and 1,040,000 for 1945.

The establishment type statistical series are available for both agricultural and non-agricultural industries, as are the estimates of the Bureau of the Census. Agricultural employment was estimated at 7,060,000 persons for January, 1948, as compared with 50,089,000 persons in non-agricultural industries, based on the Bureau of the Census figures. Agricultural employment figures also have been issued since 1909 by the Department of Agriculture. The monthly estimates of employment in non-agricultural establishments prepared by the Bureau of Labor Statistics are based on voluntary reports from about 150,000 establishments in 154 manufacturing industries and selected non-manufacturing industries, supplemented by data from other Government agencies.

As of January, 1948, total employment in non-agricultural establishments, as estimated by the Bureau of Labor Statistics and adjusted by the Board of Governors of the Federal Reserve System, was 42,953,000 unadjusted and 43,411,000 adjusted for seasonal variation. Since 1940, the employment level has risen about 12,000,000 or approximately one-third, all industry groups except mining participating in the gain.

Agricultural employment averaged about 8,300,000 persons for 1947, as compared with 9,500,000 in 1940 and 10,400,000 in 1929. During this period, farm production increased approximately 6% between 1929 and 1940, and 16% between 1940 and 1947, so that the productivity per worker in agriculture, as indicated by these Department of Agriculture figures, has increased substantially.

ENABLING ACT

A general term for legislation which permits communities or districts to organize into an association or district for the purpose of financing and constructing some new public improvement, which does not affect any given civil subdivision. Thus districts are organized to provide funds for building schools, sewers, drainage projects, etc., and under "Enabling Acts" it is possible for such districts to issue bonds, and to levy taxes for their repayment.

The term also applies to legislation which enables a bank, corporation, association, or community to take advantage of an alternative method of achieving a certain result. Thus, many states have enacted laws which permit state banks and trust companies to join the Federal Reserve System, and to maintain cash reserves as required by the Federal Reserve Act instead of the requirements of the state banking laws.

ENCUMBRANCE

A claim or lien, such as a mortgage upon real property, thereby diminishing the owner's equity in the property.

ENDORSED BONDS

See Indorsed Bonds.

ENDORSEMENT

See Indorsement.

ENDOWMENT INSURANCE

A form of life insurance which combines insurance with compulsory saving. It differs from ordinary life insurance in that the policy matures and becomes a claim at a fixed time, say 20 or 30 years after the initial premium is paid, and after which no further premium are payable, instead of becoming payable only upon the contingency of death.

The advantage of an endowment policy is that it may be made to mature at an age when the policy holder or beneficiary has passed the income-producing period. (See Insurance.)

ENFORCED LIQUIDATION

See Forced Liquidation.

ENGINEER'S CERTIFICATE

A statement signed by an engineer (usually an engineering firm) certifying that he has made an examination of the physical properties of a railroad, public utility or other business, and that they are in the condition which he thereupon describes. Usually the chief purpose of the engineer's examination and report is to determine whether the properties are adequate for present requirements, or to what extent they are adequate for future requirements, or if not, what expenditures are needed. Such engineering surveys are requisite for proper reorganization of distressed properties.

ENGINEER'S REPORT

A report rendered by an engineer concerning the physical condition of a property (usually a railroad or

public utility) which he has inspected with particular reference to its needs, improvements, etc., and whether it furnishes an adequate basis as security for further debt. (See Engineer's Certificate.)

ENGLISH BANKING SYSTEM

See Bank of England, Joint-Stock Banks.

ENGLISH MONEY TABLE

Copper Coins:

Symbol	Name	British Value
1/4d.	Farthing (rare)	1/4 penny
1/2d.	Halfpenny	1/2 penny
1d.	Penny	1 penny
3d.	Threepence (rare)	3 pence
Silver Coins:		
3d.	Threepence (rare in cities)	3 pence
6d.	Sixpence	6 pence
1s.	Shilling	12 pence
2s.	Florin (rare)	2 shillings
2s. 6d.	Half crown	2 1/2 shillings
5s.	Crown (rare)	5 shillings
Paper Currency:		
10s.	10 shilling note	10 shillings, or 1/2 pound
1	Pound note	20 shillings
5	5-Pound note	5 pounds

(See Foreign Moneys--England.)

EQUAL COVERAGE

A protective clause in a corporate indenture providing that in the case of subsequent issues of bonds, the subject bonds shall be entitled to the same security as that of the subsequent issues. Such a clause, in the case of debentures (unsecured obligations) will result in such debentures acquiring a secured status as the result of subsequent issuance of mortgage bonds. (See Debenture Bonds.)

EQUALIZATION FUND

See Exchange Equalization Fund.

EQUIPMENT BONDS. (NOTES)

See Equipment Trust.

EQUIPMENT TRUST

A trust created to own and lease railroad equipment. On account of the large amount of fixed assets which a railroad owns and the difficulty of raising capital to purchase equipment outright, locomotives, cars, and all forms of rolling stock are often purchased by mortgaging the equipment and selling securities based upon the mortgage. The mortgage is placed in the hands of a trustee and it, rather than the rolling stock itself, becomes the security for the equipment bonds, notes or certificates issued there-against. Equipment trust securities are considered good investments, provided the amount of the certificates is not too great a proportion of the cost of the equipment, that there is some provision in the mortgage for the upkeep of the equipment, that the earning power of the equipment will be sufficient to pay off the securities, and that the maturity of the securities is well within the service life of the equipment, their ultimate security.

Under the so-called "Philadelphia" plan, the rolling stock is leased to the railroad with the provision that stipulated rentals be paid to the trustee for the lessor. Eventually, through a series of rental payments, the principal of the obligation is paid off and the equipment becomes the property of the railroad.

The "Philadelphia" plan, under which many equipment trust obligations are currently issued was introduced originally in Pennsylvania for the circumvention of laws existing in that state declaring the illegality of conditional sale of railroad equipment, the latter being considered personal property.

Under this plan of purchasing railroad equipment, the railroad merely leases the property from an appointed trustee, which maintains absolute title throughout the term of contract and until interest and principal of last outstanding certificate have been extinguished when title passes to the railroad company. The essence of the plan is that legally construed the relationship between the trustee and the railroad company is that of lessor and lessee. Numerous legal decisions have been rendered in Pennsylvania to the effect that where possession of personal property passes under contract of lease the inclusion of a supplementary agreement that upon the payment of a certain sum title will become vested in transferee does not convert the lease into a conditional sale or invalidate the bailment contract.

Under the "conditional sale" or "New York" plan, the title to the equipment purchased with borrowed funds does not pass to the railroad until the last series of the obligation has been retired; that is to say, the equipment is sold by the investors in the equipment trusts to the railroad conditionally. The equipment is used by the railroad, but full legal title is vested in the trustee for the benefit of the trust certif icate holders, and the road must comply with the terms of the agreement governing maintenance. In addition the equipment is definitely marked as the property of the trustee, and careful record of each car and locomotive is kept. If the railroad defaults in interest or principal payments, the trustee may take possession of the equipment and sell it to other roads who are constantly in the market, as a means of raising funds with which to retire the equipment obligations.

Differences in the conditional-sale and the "Philadelphia" plan do not affect greatly the matter of quality, being little more than a legal distinction. Issues in large blocks are constantly offered under both plans, but the latter scheme, if anything, has found greater favor. So far as technical provisions of any equipment issue go, other than these legal distinctions, there is no intrinsic difference between bonds put out under the two plans. Most equipment trusts run from ten to fifteen years, mature serially in amounts calculated to reduce the amount outstanding as the properties depreciate in value, interest is payable twice annually, and sales are made over the counter on a yield basis.

Equipment trust certificates are issued by practically all American railroad companies as the least expensive method of financing equipment purchases. Annual or semi-annual instalments simplify the matter of meeting maturities. These certificates have a ready market, and are a favorite form of investments for banks be-

cause of the good security, serial maturities, and low risk.

EQUIPMENT TRUST CERTIFICATES

See Equipment Trust.

EQUITY

This term has three meanings:

(1) In Anglo-American legal parlance the administration of justice, not through the inflexible procedures of the law courts, but through the principles of equitable justice developed by Chancery. Thus there are Courts of Law and Courts of Equity and it is possible to bring an action, and obtain specific performance or other special relief through a Court of Equity when an adequate remedy is not available in a Court of Law

(2) In accounting and finance, net ownership, i. e., the extent of the owner's right in his property above all claims and liens against it expressed in money value. Thus the equity of the stockholders in a railroad corporation is represented by the value of the railroad property in excess of the claims of all creditors, including bond and note-holders, secured and unsecured, and all current indebtedness.

(3) In margin buying, the customer's equity is the present market value of his securities less the debit balance in his account, i. e., the sum borrowed from the broker to enable the customer to make the purchase.

EQUITY EARNINGS

First read Direct Earnings.

Equity earnings, also called indirect, unreported, or undisclosed earnings, are that part of the surplus earnings of a subsidiary company over and above dividend payments not reported by the parent company. Most of the large corporations hold or control through a majority, joint (half, third, quarter, etc.) or minority stock ownership in subsidiary or affiliated companies. Unless the ownership of such subsidiary is a majority interest, the parent company cannot under proper accounting principles consolidate the earnings of a subsidiary or subsidiaries in the income account of the parent company but only such part of earnings as may be actually paid to the parent organization as dividends. When earnings of subsidiaries are consolidated in the income account of the parent organization, the proportion of earnings belonging to the minority interest must be deducted.

Under the Internal Revenue Code, and subject to Regulations of the Commissioner, corporations have the privilege of making consolidated income tax returns for the taxable year in lieu of separate returns. The Code specifically defines includible corporations as those in which the common parent corporation owns directly stock possessing at least 95% of the voting power of all classes of stock and at least 95% of each class of the non-voting stock of at least one of the other includible corporations. "Stock" does not include non-voting stock which is limited and preferred as to dividends.

To illustrate the nature of equity earnings, the following example is given. A parent company owns 800,000 shares of a subsidiary having 1,000,000 shares (its sole capitalization) outstanding. The subsidiary earns $5,000,000 in a given year and pays $3 in dividends, or $3,000,000. The parent company thereby receives $2,400,000 from its subsidiary which is taken up in the parent company's income account and reported accordingly. However, such a report would fail to disclose full earnings since the surplus earnings in excess of the subsidiary's dividend payment is not taken into account. Equity earnings of the parent company for the year in question are equal to its proportionate ownership in the $2,000,000 earned but not disbursed. This proportionate interest or equity earnings is 80 per cent, of $2,000,000, or $1,600,000. Such equity earnings must be added to the actual earnings of the parent company to measure its true earning power.

ERRATIC

An expression used to describe the stock and commodity markets when prices are uncertain, first rising, then falling, or vice versa, in succession, without a definite trend.

ERROR ACCOUNT

A suspense account in brokers' offices to which errors in executions involving a loss are charged and to which any possible profits are credited.

ESCROW

A written agreement, e.g., deed, bond, or other paper, entered into among three parties, and deposited for safe-keeping with the third party as custodian to be delivered by the latter only upon the performance or fulfillment of some condition. The custodian or depository is obliged to follow strictly the terms of the agreement respecting the other parties.

ESCROW BONDS

Bonds held under an option to purchase or subject to some other condition. The bonds of an authorized issue, but not yet issued, being held by a trustee until additional funds are needed for improvements or expansion. Such bonds can be released only upon compliance with the terms of the mortgage provisions governing the issuance of additional bonds. Thus escrow bonds are that part of an authorized issue which remains unissued with the trustee until new financing is to be accomplished. (See Escrow.)

ESCUDO

See Foreign Moneys—Portugal.

ESTATE

Unqualified, this term means one's interest in land. Commonly, the term is qualified by the word "real," which is substantially identical with Real Property (q. v.) or Real Estate (q. v.) respectively.

In New York, estates in real property are classified into: estates of inheritance, estates for life, estates for years, estates at will, and at sufferance. This statutory classification is contained in Section 30, Real Property Law.

ESTATE TAXES

Estate taxes are excises upon the right of transfer of property from the decedent to his heirs, legatees and devisees. Federal estate taxes were first enacted in the act of September 8, 1916, and at present are found in Chapter 3 of the Internal Revenue Code.

Succession or legacy taxes are taxes upon the right to receive, and are governed by State laws, Nevada being the only State which does not impose death transfer taxes. Generally, State estate taxes apply to real

property and tangible personal property having a situs in the state of domicile as well as intangible personal property whether or not located in the State of domicile. Multiple State taxation, therefore, may occur where more than one State claims domicile, and also, in the absence of reciprocal exemption provisions in the State's laws, where a State claims the right to tax intangible personalty located within its borders of a decedent domiciled in another State. This has been allowed by the U. S. Supreme Court where the State can show benefits conferred, such as the protection of its laws for a trust of intangible personalty (usually stocks and bonds) set up under its laws. (See Inheritance Taxes.)

EUROPEAN RECOVERY PROGRAM

On April 2, 1948, the Foreign Assistance Act of 1948 became law, setting up the Economic Cooperation Administration with a stated term to January 30, 1952, to carry out the European Recovery Program or "Marshall Plan", named after Secretary of State Marshall. After Secretary Marshall in June, 1947 made a proposal of substantial American economic aid to Europe for recovery and reconstruction, sixteen European nations met in Paris and drew up the "Sixteen Nations Report of the Paris Conference", which outlined their needs and requirements as $20.4 billion for the four years 1948-1951. As enacted in the Foreign Assistance Act, total authorized aid was $5.3 billion for a 12-months program, consisting of authorized appropriation of $4.3 billion and a $1 billion lending authorization for aid to the sixteen European nations and Western Germany.

To administer the program, the Economic Cooperation Administration was set up under the European Cooperation Administrator, as a Governmental agency. The Administrator becomes a member of the National Advisory Council on International Monetary and Financial Problems, whose membership includes the Secretary of the Treasury, Secretary of State, Secretary of Commerce, President of the Export-Import Bank and the Chairman of the Board of Governors of the Federal Reserve System. Policy, as announced by the Administrator, is to make the widest possible use of existing Government agencies in running the Program. The power of export controls remains with the Secretary of Commerce under the Act, and the President is to settle any differences between the Administrator and the Commerce Secretary in this connection. Aid will be supplied in the form of direct grants, loans and long term credits. Letters of commitment by the Administrator may be hypothecated or assigned and become binding obligations upon the United States. The Act provides that the Administrator will seek to stabilize exchange rates and remove burdensome trade restrictions, quotas and other trade barriers. Provision is also made for a program of guarantees for American investments abroad, limited to $300 million in the first year, involving projects aiding the European Recovery Program. These guarantees may be for 14 years and assure the convertibility of local currencies into dollars.

The magnitude of the Program is indicated by a comparison of actual exports in 1946 to the nations involved of $3.5 billion, with the Sixteen Nations Report estimate of $6 billion for the first year and the total authorization of $5.3 billion for the first year by the Act. The following shipments of over $4 1/2 billion of American production are planned for the first year, of which not less than 50% shall be shipped in American bottoms:

Food and food products, 12,000,000 tons, costing $2 1/2 billion; tobacco and cotton, 1,500,000 tons, $1 billion; agricultural machinery, coal mining machinery, trucks, freight cars, etc., $300 million; iron ore and oil, 2,500,000 tons, $200 million; coal, petroleum and other raw and semi-finished materials, $1 billion.

The sixteen European nations, members of the European Economic Cooperation Committee, which will receive this aid are: Austria, Belgium, Denmark, France, Greece, Iceland, Ireland, Italy, Luxembourg, The Netherlands, Norway, Portugal, Sweden, Switzerland, Turkey and the United Kingdom, in addition to the Western Zone of Germany.

In addition to the specific authorizations for the administration by the Economic Cooperation Administration, the Foreign Assistance Act also authorized the Reconstruction Finance Corporation to advance $1 billion for the European Recovery Program as well as direct grants by the RFC of $50 million for military aid to Greece and Turkey and $50 million to China, the latter grants being supplementary to the authorization of $275 million credits for Greece and Turkey, $463 million for China and $60 million for the care of European children contained in the Act.

In addition to the economic implications of the Program, the politicalconsiderations involved will call for close coordination of distribution of aid with American foreign policy.

(See National Advisory Council; Reconstruction Finance Corporation.)

EVEN LOTS

Board lots; full lots. Lots or number of shares of stock sold in the usual trading unit of 100 shares, or multiple thereof, e. g., 100, 200, 300, etc.

EVENING UP

A stock market expression to indicate the process which occurs when holders of long stock sell, and short sellers purchase, to cover their contracts simultaneously, so that the demand and supply of stocks is about equal and price changes are without significance. Financial reviewers often refer to the "usual week-end evening-up process," indicating that operators have disposed of their holdings or covered their contracts, not desiring to commit themselves over the week-end.

EX

Literally means out of, but in finance means without, e. g., Ex-Dividend (q. v.).

EX-ALL

Without all rights and privileges; stocks sold ex-all reserve all privileges, such as pending dividends, the right to subscribe for additional stock, or other advantages to the seller.

EXAMINATION PROCEDURE

Because of the necessity for a simultaneous bank examination, to prevent manipulations and adjustments from one account to another while the examination is in progress, it is necessary to examine all assets and liabilities in such manner that it is impossible to transfer items to conceal differences or shortages. Accordingly, a sufficient number of examiners, unannounced and unscheduled, will enter at about closing time, and engage in the following operations, as summarized from Mil-

let's Bank Audits and Examinations: 1. Assign men to count cash; 2. Seal cash which cannot be counted; 3. Seal all files and safes containing items which can be manipulated; 4. Verify exchanges; 5. Secure trial balance of general ledger; 6. Run ledgers; 7. Send out letters of verification on various items; 8. List loans; 9. Check out and prove collateral; 10. Inspect and list investments; and 11. Inspect and list mortgages.

EXAMINER

See Bank Examiners.

EXCESS LOANS

Loans made by a bank to one customer in excess of the legal maximum amount. Directors of National banks who make or assent to the making of loans in excess of the legal limit specified in Section 5200, Revised Statutes, have been held by court decisions to be personally liable for losses that may result to a bank as a consequence of making loans to one customer in excess of the legal limit. (See Limitations on Bank Loans.)

EXCESS PROFITS TAX

An excess profits tax upon corporations was in effect for the taxable years 1940-1945, inclusive, for the purpose of recapturing the large profits made under Wartime conditions. The excess profits tax was repealed by the Revenue Act of 1945. Although the nominal rates were graduated to high levels, the excess profits tax was imposed upon very reasonable terms, being calculated on a base after deduction for nominal specific exemptions, substantial excess profits credit based on optional average earnings for 1936-1939 as base period or invested capital basis, and after deduction also for unused excess profits credit for two preceding years. (See Taxes.)

EXCESS RESERVES

The portion of a bank's reserves against deposits in excess of the amount required by law, whether deposited with a Federal Reserve bank, a designated depository, or in its own vaults.

The volume and distribution of excess reserves is the primary determinant of money rates, as banks are principal factors in the money market, and their excess reserves constitute their supply of funds available for conversion into earning assets, including money market items. Mere volume of excess reserves, however, will not induce banks to keep fully invested, as confidence and stability of conditions must exist concurrent with the available reserves. Normally, however, when banks have excess reserves, they like to keep well invested. Consequently, the manipulation of the volume and distribution of excess reserves has been one of the principal activities of the Treasury and the Federal Reserve System in recent years in keeping money rates low and assuring the ability of the banks to subscribe to additional offerings of Government securities.

The power to expand loans and investments for the banking system is the reciprocal of the legal reserve requirements. Thus, with reserve requirements averaging about 15% for the Federal Reserve System, the banks as a whole have the power to expand loans and investments about 6 2/3 times for every dollar of reserves, bearing in mind that expansion in earning assets creates deposits. Such expansion is influenced not only by the availability of the excess reserves, but also by the methods of deriving those reserves.

In order to show the factors which influence increase or decrease in the supply and use of member bank reserves, the Board of Governors of the Federal Reserve System and the Federal Reserve Banks developed the table "Supply and Use of Member Bank Reserve Funds", which is published every Friday based on figures as of the preceding Wednesday. As of a recent date, the table appeared as follows:

Supply and Use of Member Bank Reserve Funds
(millions)

Item:	April 23,1947-April 21,1948 Changes that added to reserves	Changes that reduced reserves
Items, increases in which add to reserves:		
Reserve Bank credit:		
U.S.Govt. securities		−1,435
Loans, discounts and advances	+96	
Other Reserve Bank Credit	+76	
Gold stock	+2,538	
Treasury currency		- −1
Items, increases in which reduce reserves:		
Money in circulation	−387	
Treasury cash	−2	
Treasury deposits with Federal Reserve Banks		+801
Non-member deposits and other Federal Reserve accounts	−163	
Totals	3,262	2,237
Net change in member bank reserve balances		+1,025
Net change in estimated required reserves		+ 963
Net change in estimated excess reserves *		+ . 62

*Estimated excess reserves were $720 million April 21, 1948, compared with $658 million April 23, 1947.

In construction, the table represents a consolidation of figures from the combined statement of the 12 Federal Reserve Banks and from the circulation statement of the Treasury which affect member bank reserve balances. From the Federal Reserve combined statement, the table draws its figures on Federal Reserve Bank credit--bills discounted, bills bought, holdings of U. S. Government securities, industrial advances and other Federal Reserve credit. Also from the Federal Reserve combined statement come the figures on Treasury deposits with the Federal Reserve Banks, non-member deposits and other Federal Reserve accounts. The Federal Reserve Bank combined statements also furnish the figure for total member bank reserve balances.

The circulation statement of the Treasury furnishes the table with its figures on monetary gold stock, money in circulation, Treasury currency outstanding and Treasury cash.

Thus consolidated, these factors give a summary of the influences working to increase or decrease member bank reserve balances, aside from expansion or contraction in loans and investments by the member banks themselves. Expansion in loans and investments in turn is influenced by the volume of excess reserves, which is estimated weekly by the Federal Reserve Board of

Governors and published simultaneously with the Supply and Use table.

Factors which increase member bank reserve balances are: increases in Federal Reserve Bank credit, gold stock and Treasury currency; and decreases in: money in circulation, Treasury cash, Treasury deposits with Federal Reserve Banks, non-member deposits, and other Federal Reserve accounts. Factors which decrease member bank reserve balances are the opposite of the above--reduction in Federal Reserve credit, gold stock and Treasury currency, and increased circulation, Treasury cash and deposits, and non-member and other Federal Reserve accounts. At any one time, the increases or decreases are various, but each item's fluctuation has a positive or negative effect on member bank reserve balances.

The "supply" or sources of member bank reserve balances are Federal Reserve Bank credit, gold stock and Treasury currency. The "uses" are money in circulation, Treasury cash and deposits, and non-member deposits and other Federal Reserve accounts. Thus, an equation is implied, the Federal Reserve Bank credit, gold stock and Treasury currency equaling the money in circulation, Treasury cash and deposits, non-member bank and other Federal Reserve accounts, plus the total of member bank reserve balances.

The credit and money market policies of the Board of Governors of the Federal Reserve System and the Treasury, in so far as they are concerned with member bank reserve balances, are actively indicated by certain of the "Supply and Use" factors. The powers of the Board of Governors over member bank reserve balances may be summarized as follows:

1. The power, under the Banking Act of 1935, to increase or decrease legal reserve requirements against deposits within the range of reserve requirements existing on August 23, 1935 to twice those requirements. The reserve requirements on August 23, 1935 were 13%, 10% and 7% against demand deposits, according to central reserve city, reserve city, and country bank classification for member banks; and 3% against time deposits, for all banks. As of February 27, 1948, the power to increase reserve requirements has been largely exhausted, as reserve requirements are 22%, 20% and 14% against demand deposits; and 6% against time deposits.

2. The power to engage in open market operations in Government securities and bills; and to make industrial advances to member banks on various types of paper or any "sound" assets.

3. The power to raise or lower rediscount rates and adjust bill buying rates.

Under current conditions, therefore, open market operations in Government securities are the most potent power of the Federal Reserve System, as indicated by the Supply and Use table. As a practical matter, however, this power cannot be exercised freely as a weapon against credit inflation, in view of the large volume of Government security holdings by member banks, the necessity for orderly markets in Government securities, and financing needs of the Treasury.

Powers of the Treasury affecting member bank reserve balances may be summarized as follows:

1. Control of the Stabilization Fund, with original resources of $1.8 billion and deposits of $200 million in the Federal Reserve Banks, with power to buy and sell Government securities, gold and foreign exchange.

2. The power to "sterilize" gold imports, which ordinarily would add to member bank reserve balances, by borrowing amounts in the money market equal to incoming gold. Conversely, the power to monetize or "de-sterilize" gold credit or gold certificates from the inactive gold fund.

3. Power to print gold and silver certificates against the gold and silver holdings, add to Treasury deposits in the Federal Reserve Banks, and spend from such deposits, thereby adding to member bank deposits and reserve balances.

4. The Treasury's borrowing and spending operations, which affect the volume and distribution of member bank reserve balances.

The factors in the Supply and Use table reflecting Treasury policy and operations are Treasury cash and deposits with the Federal Reserve Banks as well as Treasury currency outstanding.

On the other hand, money in circulation, gold imports or exports in the absence of sterilization or control measures, and fluctuation in non-member deposits are, mechanically speaking, beyond direct influence of the policies of the Board of Governors and the Treasury.

(See Reserves.)

EXCHANGE

See Domestic Exchange, Commodity Exchanges, Foreign Exchange, Produce Exchanges, Stock Exchange.

EXCHANGE EQUALIZATION FUND

An account created for use by the British treasury, following suspension of gold payments by England on September 21, 1931. Originally this fund was 175,000,000 pounds, but subsequently two additional appropriations increased total authorized funds up to 575,000,000 pounds. In September, 1939, practically all the gold in the Issue Department of the Bank of England was transferred to the Fund. The Currency Defence Act of September 1, 1939 removed the statutory limit on the size of the Fund, authorizing it to hold foreign securities and to utilize its assets for the additional function of financing War purchases abroad. It is administered by the British Exchange Control for the purpose of preventing undue fluctuations in sterling relative to other currencies. It provides, by means of purchase or sale of other currencies or gold, a measure of support to sterling when under pressure, and a measure of resistance should the rate rise too rapidly. Operations are necessarily secret. (See Stabilization Fund.)

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EXCHANGE OF MONEY

See Money, Redemption of Money.

EXCHANGE RATES

See Clearing House Exchange Rates, Foreign Exchange, Foreign Moneys.

EXCHANGES

This term has two meanings:

(1) In banking practice, checks, drafts, matured acceptances, notes, etc., presented for collection through a clearing house are known as Exchanges, or Clearing House Exchanges.

(2) The English term for the market for foreign currencies and bills of exchange. What is known in the United States as foreign exchange is known in England as foreign exchanges.

EXCHANGES FOR CLEARING HOUSE

An account appearing in a bank's general ledger and financial statement representing the amount of checks drawn upon clearing house banks and collectible on the following business day through the clearing house.

EXCHEQUER

The official title of the account of the Chancellor of the Exchequer of the United Kingdom with the Bank of England. Its statutory title is His Majesty's Exchequer. It is a central account and not directly in contact with the detailed revenue and expenditure accounts. It corresponds in the United States to our Treasury Department accounts with the Federal Reserve banks. It is the account into which the gross revenues of the country are paid and from which expenditures are drawn.

EXCHEQUER BILLS

The name formerly given to the promissory notes of the British Government. They were first issued in 1696 and constituted the chief floating debt of England. They have since been superseded by Treasury Bills (q. v.).

EXCHEQUER BONDS

Bonds issued under the authority of Acts of the British Parliament by the Commissioners of His Majecty's Treasury. Exchequer bonds have a definite term not to exceed six years. A current issue are the Exchequer 1 3/4s of 1950, issued in November, 1944 and maturing February 15, 1950.

EXCISES

Indirect taxes levied upon rights or privileges, such as the right to conduct business, franchises, licenses, etc. In accordance with Article 1, Section 8, clause 1 of the U. S. Constitution, Federal excises shall be uniform throughout the United States. Because they are measured by the money value of sales or commodities involved, excises are frequently considered to be levied on the sales or commodities, but it is the intangible right or privilege which is taxed. Excises are not direct taxes, which under the U. S. Constitution must be apportioned.

EX-COUPON

Without the next maturing interest coupon attached. Bonds sold ex-coupon have the next maturing coupon already detached.

EX-DIVIDEND

Without the dividend, meaning that the right to the pending or accrued dividend is reserved to the seller. The ex-dividend date is the first day the stock sells without the dividend, and on which the quotation for the stock usually measures a decline equal to the value of the dividend. Dividends are most usually paid quarterly, although sometimes monthly, semi-annually, and annually. Suppose the board of directors declare a quarterly dividend of $1.50 (at the annual rate of 6 per cent.) on March 25 payable April 30 to stockholders of record on April 15. This dividend goes to the holder of the stock in whose name it is recorded on the books of the company on April 15, which is called the "record date." On that date, all stockholders whose names appear on the stock book of the corporation will be mailed the dividend. Corporations, especially the larger ones, generally "close the books" as of the record date for the purpose of mailing the dividend checks to the holders of record. The "books close" date, however, is not the ex-dividend date.

The ex-dividend date is determined by the delivery plan of the securities market in which the stock is sold. Effective on August 29, 1946, the majority of stock exchanges in the United States and the National Association of Securities Dealers adopted the 3-day delivery plan. Under this plan, transactions "regular way" are settled on the third full business day following the day of the transaction. Therefore, stocks sell ex-dividend on the second full business day preceding the holders of record date. If this record date is a holiday or a Saturday, the ex-dividend date is the third preceding full business day.

In the absence of any express or implied agreement to abide by the ex-dividend rules of a particular securities market, or to specify who shall be entitled to the dividend, the rule in law is that as between the seller and the buyer, the seller is entitled to the dividend. (See Deliveries.)

EXECUTION

The carrying into effect of an order. Also, the manner in which an order to buy or sell securities is handled. If, in selling securities "at the market," a broker offers them down unduly in order to find a taker, he is said to have given a bad execution. If, on the other hand, the broker is able to obtain a good price in view of market conditions, he is said to have given a good execution.

EXECUTOR

An individual or trust company appointed in a will by the Testator (q. v.) to carry out, after the death of the testator, the expressed instructions for the disposal of his property as provided in the Will (q. v.). When a person dies intestate, i. e., without leaving a will, his property is distributed in accordance with the laws of descent and distribution of the state in which the intestate is a resident. Settlement of the estate of an intestate is conducted by an Administrator (q.v.), who is appointed by the court. Duties of the executor and administrator are similar, i. e., to settle the affairs of the deceased and distribute the real and personal property to the rightful heirs.

The following is a summary, of the duties of an executor: (1) offer the will for probate in the probate (surrogate's) court, prove its execution, and defend the will if contested, (2) secure letters testamentary (the document giving the executor the right to act), (3) take possession of the property, review all the assets, examine books of account, ascertain bank balances, locate and check insurance policies, (4) notify interested parties in the estate, i. e., legatees, devisees, and heirs, (5) make a complete inventory of all assets, (6) have the property appraised and protected by insurance, (7) advertise for the presentation of claims, and after verification, pay them off in the order prescribed by law, (8) collect claims due to the deceased, (9) if there is a going business, manage it until such time as it can be sold or liquidated, (10)if the deceased was a member of a partnership, collect such interest, (11) if the deceased had a large or controlling interest in a corporation, give attention to its affairs by contact with officers and directors, until the stock can be disposed of, (12) keep accurate records of stocks, bonds, mortgages, and notes, and watch investments for bond calls, interest default,

and stock rights, (13) collect dividends, rents, interest, and insurance claims, (14) pay legacies and secure releases, (15) pay inheritance taxes due to the Federal government and the state of the decedent's residence, and taxes due any other state in which the deceased left taxable property, (16) verify trust clauses of the will, if any, and proceed accordingly, (17) after collecting all assets and paying all debts and expenses of the executorship, liquidate the residue of the estate, unless otherwise directed, and distribute to the persons entitled thereto, and (18) make final accounting to the court and obtain judicial discharge.

Executors are responsible for turning the proceeds of estates over to beneficiaries in the most advantageous condition. The law gives creditors of the estate a certain time within which to file claims. Executors perform their work under the will, letters testamentary, instructions from the court, and the statutes governing descent and distribution of property. Much of the proceedings are technical and usually require advisory services of an attorney. In a large estate, conferences will be had with beneficiaries, creditors, debtors, bankers, brokers, investment houses, tax experts, insurance agents, mortgagors, landlords, tenants, etc. (See Administrator, Descent, Laws of, Testator, Trusts, Will.)

EXECUTRIX

The feminine form of Executor (q. v.).

EXEMPT SECURITY

A security which is exempt by Section 3 of the Securities Act of 1933 from all requirements of the Act, except the fraud provisions of Section 17.

As specified in the Act, exempt securities are:

1. Any security issued or guaranteed by the United States or any Territory thereof, or by the District of Columbia, or by any State of the United States, or by any political subdivision of a State or Territory, or by any public instrumentality of one or more States or Territories exercising an essential governmental function.
2. Any security issued or guaranteed by any corporation created and controlled or supervised by and acting as an instrumentality of the Government of the United States, pursuant to authority granted by the Congress of the United States.
3. Any security issued or guaranteed by any national bank, or by any banking institution organized under the laws of any State or Territory, the business of which is substantially confined to banking and is supervised by the State or territorial banking commission or similar official.
4. Any security issued by or representing an interest in or a direct obligation of a Federal Reserve Bank.
5. Any note, draft, bill of exchange, or banker's acceptance which arises out of a current transaction or the proceeds of which have been or are to be used for current transactions, and which has a maturity at time of issuance of not exceeding 9 months, exclusive of days of grace, or any renewal thereof the maturity of which is likewise limited.
6. Securities issued by non-profit organizations.
7. Securities issued by building and loan or similar organizations, provided the withdrawal fee is not in excess of 3%.
8. Securities issued by common carriers subject to Section 20a of the Interstate Commerce Act.
9. Certificates issued by a receiver or by a trustee in bankruptcy, with court approval.
10. Insurance policies and annuity contracts issued by corporations subject to supervision of State insurance or banking commissioners.
11. Securities exchanged by an issuer with existing security holders exclusively, with no commission or other remuneration involved for soliciting the exchange.
12. Securities sold solely to residents of the State in which the issuer is incorporated and doing business.

(See Securities Act of 1933.)

EXHAUST PRICE

First read Margin.

One who carries securities on margin has only an equity or partial interest in the securities he is carrying. In case of a fall in prices which threaten the wiping out of the owner's equity or margin, the exhaust price is approached. In other words, the exhaust price is the price at which these securities would have to be sold entirely to obliterate the margin, or the price at which the broker would have to sell in order to protect himself from loss. Brokers compel their customers to furnish additional margin before the exhaust price is reached, or to enter a stop loss order which may be placed several points above the exhaust price.

(See Stop Loss Order.)

EX-INTEREST

Without interest; meaning that the next maturing coupon has been detached. The term is particularly reserved to use in reference to registered bonds.

EXPANSION

A period of business growth, i. e., of increased production and consumption, necessitating an increase in the quantity and rapidity of circulation of money, in the volume of credits, and usually higher prices. If unduly prolonged, expansion may lead to Inflation (q. v.). (See Business Cycle.)

EXPENSE FUND

A fund which the law requires to be created by the organizers of a non-stock or mutual savings bank to provide for current expenses until the bank operates upon a profitable basis, and to meet current interest charges upon deposits. The expense fund represents the savings bank's working capital when it begins operations. In New York state a savings bank must start with an expense fund of at least $5,000. (See Guaranty Fund.)

EXPENSES

Items of expenditure incurred in operating a business; outgo for all items that enter into costs of manufacture or merchandising; offsets against earnings and income. In a manufacturing business, expenses are divided in three classes: (1) manufacturing, (2) selling, and (3) general and administrative. Manufacturing expenses consist of cost of raw materials, wages and salaries of workers and plant foremen and superintendents, power, heat, light, rent, depreciation of machinery and plant, etc. Selling expenses consist of salaries of salesmen, traveling expenses of salesmen, advertising, shipping costs, etc. General administrative expenses consist of salaries of officers and clerical help, office supplies, telephone, telegraph, postage, depreciation of office equipment and furniture, etc. Accounting treatment of

expenses varies according to whether the books are kept on an accrual basis or actual receipts and disbursements (cash) basis. Prepaid expenses include such items as insurance and rent, paid in advance, only a portion of which were actually used during the period, the remainder being a deferred asset or deferred charge to expense.

The chief expenses of the typical member bank in recent years have been salaries and wages, and taxes. Other expenses include interest paid on deposits, printing and stationery, interest paid on borrowed money, etc. (See Member Bank Earnings and Expenses.)

EXPIRATION (EXPIRY) DATE

The date upon which the validity or privilege which may be exercised under a contract or document terminates. This term is usually employed in connection with a letter of credit, option, etc.

EXPORT BAR

Bars or ingots of pure gold, customarily used in making gold shipments for settlement of international balances. (See Gold Bars.)

EXPORT CREDIT

See Letters of Credit.

EXPORT-IMPORT BANK

Originally created by Executive Order of February 2, 1934 as a District of Columbia banking corporation, this Governmental banking agency became a permanent independent agency of the United States by legislation approved July 31, 1945.

Authorized capital stock of the bank is $1 billion. Outstanding loans and guaranties may not exceed 3 1/2 times the authorized capital. As of September 30, 1947, total assets were $1,803 million, consisting very largely of loans receivable, $1,789 million, represented by foreign loans, the bank's specialty. Net worth, all owned by the U. S. Government, totaled $1,613 million.

The principal function is to aid in the financing and facilitating of exports and imports and the exchange of commodities between the United States or any of its territories or insular possessions and any foreign country or its agents or nationals. The bank is authorized, to do a general banking business, including the making of loans, discount and rediscount or guarantee of notes, drafts, bills of exchange and other evidences of debt, and the participating in such. Policy, as stated in the Export-Import Bank Act of 1945, is that the bank should supplement and not compete with private capital, and that loans should be generally for specific purposes and offer reasonable assurance of payment.

Management is vested in a board of directors consisting of the Secretary of State (ex-officio) and four full time members appointed by the President by and with the advice and consent of the U. S. Senate, one of whom is designated by the President as chairman. The board of directors in turn is advised by an advisory board, consisting of the chairman of the bank, the Secretary of State, Secretary of the Treasury, Secretary of Commerce, and the chairman of the Board of Governors of the Federal Reserve System.

EXPORT LETTER OF CREDIT

See Letters of Credit.

EXPORT SPECIE POINT

See Gold Points.

EXPORT TRADE ACT

See Webb Act.

EXPRESS COMPANY MONEY ORDERS

Money orders or checks issued by an express company for remitting funds to another point by mail. They are a safe, convenient and economical means of transmitting money for those who have no checking account. They are similar in form, purpose and modus operandi to postal money orders issued by the Postoffice Department, but differ in that no written application is required, are payable at any office of the company, and pass from hand to hand by continuous indorsement, without limitation as to number. American Express money orders have no time limit, being good until paid. They may be issued in any amount. Rates for American Express Money Orders (1948) are as follows:

From $0.01 to $1.00--	5¢
From $1.01 to $5.00--	10¢
From $5.01 to $20.00--	15¢
From $20.01 to $100.00--	20¢
Over $100.00--at above rates.	

EXPRESS MONEY ORDERS

See Express Company Money Orders.

EX-RIGHTS

First read Rights.

Without rights. When stock is sold ex-rights all privileges are retained by or reserved to the seller.

EX-STOCK DIVIDEND

Without the stock dividend. When stock is sold ex-stock dividend, the pending stock dividend is retained as the property of the seller. (See Stock Dividend.)

EXTENDED BONDS

Bonds the payment of the principal of which is postponed. When the repayment of bonds cannot conveniently be met at maturity in cash the bondholders may be offered new bonds to take their place or the old bonds may be extended. In the latter case when the security behind them is not changed, the bonds are said to be extended or continued. Extended bonds are not to be confused with extension bonds. (See Continued Bonds, Extension Bonds.)

EXTENSION BONDS

Bonds similar to Divisional Bonds (q. v.), but the underlying mortgage of which does not necessarily coincide with the divisions of the issuing organization. Extension bonds usually are covered by railroad property which is a continuation or extension of the existing system. They are frequently secured not only by the extension property, but by a junior lien upon other portions of the property.

As an investment, the strength of extension bonds depends upon whether the extended property is a main line and essential to the handling of through traffic.

Extension bonds should not be confused with Extended Bonds (q. v.).

EXTERNAL BONDS (OR LOANS)

When a Government borrows money by floating a bond issue in a foreign country it is said to float an external loan and its bonds are external bonds. The principal and interest of such bonds are issued and payable in the

currency of the country in which the bonds are marketed and have the advantage of eliminating the risks of exchange fluctuations for the nationals of the country whose currency is used. Such loans are to be distinguished from Internal Bonds which the Government sells to investors within the country. (See Foreign Government Bonds, Internal Bonds.)

EXTINGUISHMENT FUND

Same as Sinking Fund (q. v.).

EXTRA DIVIDEND

An additional cash dividend paid out of earnings which are above the normal rate. Whenever dividends are paid out of profits earned at an extraordinary rate, the dividends should be earmarked as extra, so that the stockholders will understand that the additional dividend disbursement is not necessarily to be maintained, and therefore not to be regularly expected. It is a good rule of corporation finance that a regular dividend should not be increased unless there is reason to believe that it can be maintained. (See Dividend.)

FACE VALUE

Par value; the principal or nominal value appearing on a bond, note, coupon, piece of money, or other instrument. The face value of a bond is the amount at which the issuing organization contracts to repay it at maturity and is the basis upon which the cash interest rate is computed. While it is ordinarily the plan of an issuing organization to float bonds at a rate of interest attractive enough to justify their sale at approximately par, or at a slight discount, when placed on the market they fluctuate in accordance with money rates and in accordance with general business conditions and earnings. Whether a bond commands a premium or sells at a discount, the nearer it approaches maturity, the nearer the market value approximates its par value, until at the date of maturity, the two values should precisely coincide. Face value is not to be confused with market value, book value, intrinsic value, investment value, or trading value. (See Par Value, Value.)

FACTOR

A commission merchant or mercantile agent who has authority in his own name to sell, or consign for the purpose of sale, to buy and to advance or borrow money on goods as security, but acting for his principal. He is a middleman whose service is to bring the buyer and seller together and usually has a specialized knowledge of a certain market. He differs from a broker in that he usually has in his possession, or at least carries samples, of the goods he offers for sale. His profit usually consists of a commission, or the difference between the price for which the goods are sold and the price exacted by the principal. If the factor guarantees (for a consideration) the payment of the debts which arise out of the agency, the factor is known as a del credere agent. (See Agent.)

FACTOR OF SAFETY

Same as Margin of Safety (q. v.).

FAILURES

Business failures are the mortality in business. Failures are regarded as an important business barometer, although fundamentally they are results and effects of underlying business trends, rather than motivating causes. As may be expected, the number of failures tends to vary directly with the business cycle.

Statistics on business failures are prepared in detail by Dun & Bradstreet, Inc., which firm reports failures by industrial groups, by size of liabilities, by divisions of industry, in large cities, by Federal Reserve districts, by geographic regions, by states (United States), by provinces (Canada), etc. The Dun's Failure Index is also compiled and published regularly.

The business failures in the Dun & Bradstreet, Inc. record represent the number of concerns involved in court proceedings or voluntary actions which are likely to end in loss to creditors. These include discontinuances following assignment, voluntary or involuntary petitions in bankruptcy, attachment, execution, foreclosure, etc.; voluntary withdrawals from business with known loss to creditors; enterprises involved in court action, such as receivership; and since June, 1934, reorganization or rearrangement, which may or may not lead to discontinuance, as well as businesses making voluntary compromises with creditors out of court.

The totals for commercial enterprises in the Dun & Bradstreet, Inc. series represent the number of names listed in the Dun & Bradstreet Reference Book each year. Totals of enterprises listed differ from the United States Census totals for businesses because the Dun & Bradstreet Reference Book does not include many service enterprises, such as barbers, beauty salons, real estate brokers and similar concerns in which merchandise is not generally purchased or sold on credit terms.

Among the causes analyzed by Dun & Bradstreet, Inc. for business failures are: lack of capital, incompetency, speculative conditions, fraud, inexperience, competition, neglect, unwise credits, failures of others, extravagance and speculation.

Table on pages 203 and 204 tabulates the Dun & Bradstreet, Inc. Reference Book and Failure Statistics, 1857 through 1947. (See Business Barometers.)

FAIR RETURN

A term used principally in connection with earnings of railroad and public utility corporations. It has developed out of the notion that public service corporations by serving the public interest and in many cases being granted monopolistic franchises should be allowed to charge only such rates for their services as will yield a reasonable return upon the actual property investment. A fair return therefore assumes knowledge of the money sacrifice required to build the properties required for the service without any allowance for any intangible value.

In the case of railroads, the Transportation Act of 1920 provided that if net railway operating income exceeded 6% of the value of the railway property held for and used by the railroad in the service of transportation, one-half of the excess was to be placed in a reserve fund by the railroad, and the remaining one-half was to be paid to the Interstate Commerce Commission for the purpose of establishing a general railroad contingent fund, to be maintained for the benefit of railroads generally. The Act specified 5.5% as fair rate of return for the years 1920 and 1921, and this rate was guaranteed for a 6-month period following the return of the railroads to private management after World War I. Fair rates of return for the future was left to the determination of the Commission. During the years 1920-1930, estimated liability of the railroads in connection with this recapture clause of the Act totaled over $359,000,000.

Rates of return upon net property investment earned by Class I railroads have fluctuated as follows:

1916	5.80%	1937	2.54%
1918	3.37	1938	1.61
1921	2.99	1939	2.55
1926	5.35	1940	2.93
1929	5.24	1941	4.28
1932	1.38	1942	6.30
1933	2.03	1943	5.71
1934	1.98	1944	4.71
1935	2.15	1945	3.77
1936	2.87	1946	2.74

In public utility regulation, rate of return allowed during the '20s was customarily about 8%, but in recent

COMMERCIAL FAILURES IN THE UNITED STATES

1857 to date

COMPILED BY DUN & BRADSTREET, INC.

Year	Total Listed Concerns	Business Failures Number	Business Failures Liabilities	Failure Rate***	Average Liability per Failure
1857	204,061	4,932	$291,750,000	242	$59,154
1858	*216,898	4,225	95,749,000	195	22,663
1859	229,734	3,913	64,394,000	170	16,456
1860	*247,694	3,676	79,807,000	148	21,710
1861	*265,654	6,993	207,210,000	263	29,631
1862	*283,614	1,652	23,049,000	58	13,952
1863	*301,574	495	7,899,000	164	15,958
1864	*319,534	520	8,579,000	163	16,498
1865	*337,494	530	17,625,000	157	33,255
1866	*355,454	1,505	53,783,000	42	35,736
1867	*373,414	2,780	96,666,000	74	34,772
1868	*391,373	2,608	63,694,000	67	24,423
1869	*409,333	2,799	75,054,000	68	26,815
1870	427,292	3,546	88,242,000	83	24,885
1871	456,862	2,915	85,252,000	64	29,246
1872	500,080	4,069	121,056,000	81	29,751
1873	493,500	5,183	228,499,000	105	44,086
1874	558,538	5,830	155,239,000	104	26,628
1875	602,765	7,740	201,060,000	128	25,977
1876	639,268	9,092	191,118,000	142	21,020
1877	636,596	8,872	190,670,000	139	21,491
1878	661,390	10,478	234,383,000	158	22,369
1879	702,157	6,658	98,149,000	95	14,742
1880	746,823	4,735	65,752,000	63	13,886
1881	781,689	5,582	81,156,000	71	14,539
1882	822,256	6,738	101,548,000	82	15,071
1883	863,993	9,184	172,874,000	106	18,823
1884	904,759	10,968	226,343,000	121	20,636
1885	919,990	10,637	124,220,000	116	11,678
1886	969,841	9,834	114,644,000	101	11,658
1887	994,281	9,634	167,561,000	97	17,393
1888	1,046,662	10,679	123,830,000	103	11,596
1889	1,051,140	10,882	148,784,000	103	13,673
1890	1,110,590	10,907	189,857,000	99	17,407
1891	1,142,951	12,273	189,869,000	107	15,471
1892	1,172,705	10,344	114,044,000	89	11,025
1893	1,193,113	15,242	346,780,000	130	22,751
1894	1,114,174	13,885	172,993,000	123	12,459
1895	1,209,282	13,197	173,196,000	112	13,124
1896	1,151,579	15,088	226,097,000	133	14,985
1897	1,058,521	13,351	154,332,000	125	11,560
1898	1,105,830	12,186	130,663,000	111	10,722
1899	1,147,595	9,337	90,880,000	82	9,733
1900	1,174,000	10,774	138,496,000	92	12,855
1901	1,219,000	11,002	113,091,000	90	10,279
1902	1,253,000	11,615	117,477,000	93	10,114
1903	1,281,000	12,069	155,444,000	94	12,880
1904	1,320,000	12,199	144,202,000	92	11,821
1905	1,357,000	11,520	102,676,000	85	8,913
1906	1,393,000	10,682	119,202,000	77	11,159

Year	Total Listed Concerns	Business Failures Number	Business Failures Liabilities	Failure Rate***	Average Liability per Failure
1907	1,418,000	11,725	$197,386,000	83	$16,835
1908	1,448,000	15,690	222,316,000	108	14,169
1909	1,486,000	12,924	154,340,000	87	11,942
1910	1,515,000	12,652	201,757,000	84	15,947
1911	1,525,000	13,441	191,062,000	88	14,215
1912	1,564,000	15,452	203,118,000	100	13,145
1913	1,617,000	16,037	272,673,000	98	17,003
1914	1,655,000	18,280	357,909,000	118	19,579
1915	1,675,000	22,156	302,286,000	133	13,644
1916	1,708,000	16,993	196,212,000	100	11,547
1917	1,733,000	13,855	182,441,000	80	13,168
1918	1,708,000	9,982	163,020,000	59	16,331
1919	1,711,000	6,451	113,291,000	37	17,562
1920	1,821,000	8,881	295,121,000	48	33,230
1921	1,927,000	19,652	627,401,000	102	31,926
1922	1,983,000	23,676	623,895,000	120	26,351
1923	1,996,000	18,718	539,387,000	93	28,817
1924	2,047,000	20,615	543,226,000	100	26,351
1925	2,113,000	21,214	443,744,000	100	20,918
1926	2,158,000	21,773	409,233,000	101	18,795
1927	2,172,000	23,146	520,105,000	106	22,471
1928	2,199,000	23,842	489,559,000	109	20,534
1929	2,213,000	22,909	483,252,000	104	21,094
1930	2,183,000	26,355	668,282,000	122	25,357
1931	2,125,000	28,285	736,310,000	133	26,032
1932	2,077,000	31,822	928,313,000	154	29,172
1933	1,961,000	19,859	457,520,000	100	23,038
1934	1,974,000	12,091	333,959,000	61	27,621
1935	1,983,000	12,244	310,580,000	62	25,366
1936	2,010,000	9,607	203,173,000	48	21,148
1937	2,057,000	9,490	183,253,000	46	19,310
1938	2,102,000	12,836	246,505,000	61	19,204
1939	2,116,000	14,768	182,520,000	70	12,359
1940	2,156,000	13,619	166,684,000	63	12,239
1941	2,171,000	11,848	136,104,000	55	11,488
1942	2,152,000	9,405	100,763,000	45	10,713
1943	2,023,000	3,221	45,339,000	16	14,076
1944	1,855,000	1,222	31,660,000	7	25,908
1945	1,909,000	810	30,395,000	4	37,524
1946	2,142,000	1,130	70,349,000	5	62,256
1947	2,481,000**	3,476	221,048,000	14	63,593

* Estimated straight line trend.
** As listed in the January, 1948 Reference Book.
*** Dun's Failure Index, based on the apparent annual number of failures per 10,000 enterprises. Annual rate shown represents the monthly average per annum.

years, rate proceedings have favored 6% as fair rate of return. The concept of a fair rate of return is not fixed, therefore, and is subject to long term variation, particularly in line with financing costs. During the '20s,when public utility bonds were salable on an approximately 5% basis, 8% rate of return was regarded as allowing a fair margin over financing costs. Consequently, in recent years, with low money rates permitting bond financing at about 2 3/4%, the 6% fair rate of return has allowed a better margin. (See Rate Base.)

FALSE REPORTS

Directors of banks are subject to criminal liability for embezzlement, making false entries on books, reports or statements of member banks (Sec. 5209, Revised Statutes). Under Court decisions (Thomas v. Taylor, 224 U.S. 73; Chesbrough et al. v. Woodworth, 195 Fed. Rep. 875), directors are liable in damages to persons relying thereon for making and publishing false reports of condition. The reports required of a National bank by the Comptroller of the Currency are intended not only for his information, but for that of the public. One who buys bank stock out of reliance upon a published false statement and as a consequence sustains loss, has a right of action against the directors or officers who knowingly authorized the publication of such a report (Chesbrough et al. v. Woodworth).

FALSE STATEMENT ACTS

In recent years the requirement of banks that prospective borrowers submit a recent financial statement or series of statements as a basis for a loan, has become almost universally adopted. The process of granting credit has become more scientific and this requirement has grown out of recognition that there is no better guide for scientifically measuring credit risks, provided they are accurate and free from wilfully false valuations. The statement should show the condition to be no better than the actual one. Accordingly a number of states, including New York (Sec. 1293-b, Penal Law) and Massachusetts, have enacted False Statement Acts which impose penalties upon any person who misrepresents true condition in a statement for the purpose of securing in any form whatsoever either the delivery of personal property, the payment of cash, the making of a loan or credit, the extension of credit, the discount of an account receivable, the execution, making or delivery by any person, firm or corporation of any bond or undertaking, or the making, acceptance, discount, sale or indorsement of a bill of exchange, or promissory note, for the benefit of either himself or of such person, firm, or corporation. This enables the credit men of a bank to concentrate their attention upon the scientific analysis of the risk as disclosed by the statement instead of merely "checking" its accuracy, and deters unscrupulous persons from misrepresenting the facts concerning any wilful misrepresentation of financial condition or means or ability to pay.

FARM BOARD

See Federal Farm Board.

FARM CO-OPERATIVES

There are more than 10,000 farmers' marketing and purchasing associations in the United States, reporting a total of about 5,000,000 members and an annual volume of business in excess of $6 billion. Farmers are also served by cooperatives providing irrigation, mutual insurance, credit, electric power, and other farm and home services. According to the best available estimates, at least six out of every ten farmers are members of one or more cooperatives furnishing marketing, purchasing or other business services.

Cooperatives are expanding their activities in the processing of farm products. Some 2,200 dairy associations, 175 fruit and vegetable cooperatives, 850 cooperative frozen food locker plants, and a substantial number handling poultry, livestock, sugar, rice, oilseeds and farm supplies are now reported operating in the processing or manufacturing field.

Work with cooperative marketing and purchasing associations was initiated in the Department of Agriculture in 1912. The present Cooperative Research and Service Division of the Farm Credit Administration was established by the Cooperative Marketing Act of 1926, and has been a part of the Farm Credit Administration since 1933. (See Co-operative Buying.)

FARM CREDIT ACT OF 1933

An act, passed June 16, 1933, which provided for organizations within the Farm Credit Administration to make loans for the production and marketing of agricultural products and to extend agricultural finance facilities through regional and local agencies.

Created a Production Credit Corporation and Bank for Co-operatives in each of the twelve Federal Land Bank cities, the initial capital of each Production Credit Corporation being $7,500,000, to be subscribed from a $120,000,000 revolving fund established by the Reconstruction Finance Corporation from balances available to the Secretary of Agriculture under previous enactments.

Appropriated a $40,000,000 Treasury fund and also $2,000,000 for administrative expenses.

Authorized the establishment in the District of Columbia of a Central Bank for Cooperatives, with twelve branch banks in Federal Land Bank cities, the capital stock to be subscribed by the Governor of the Farm Credit Administration out of the Agricultural Marketing Act revolving fund in accordance with current needs.

Provided that intermediate credit banks might make agricultural or livestock note purchases from any National or State bank, agricultural credit or livestock corporation, cooperative savings institutions or agricultural associations; and that loans might be made on shipping documents or warehouse receipts or mortgages covering agricultural products or livestock to 75 per cent. of market value.

FARM CREDIT ACT OF 1935

An Act, approved June 3, 1935, which amended the Emergency Farm Mortgage Act of 1933, the Federal Farm Loan Act (1916), the Agricultural Marketing Act and the Farm Credit Act of 1933.

Among other things, this Act contains the following provisions:

1. Permitted Land Bank Commissioners to make loans secured by first or second liens on real property with maturities up to forty-three years.
2. Enlarged the purposes for which Land Bank Commissioners may make loans to include all those for which the Federal Land Banks are authorized to make loans.
3. Made the definition of the term "farmer" in the Emergency Farm Mortgage Act of 1933 identical with the term "farmer" as defined in the amended Federal Farm Loan Act.
4. Extended until February 1, 1940, the time within which loans can be made by the Land Bank Commissioner; removed the former limitation ($600,000,000) on the amount of bonds of the Federal Farm Mortgage Corporation which may be used in making such loans; and permitted such loans to be made in consolidated farm-loan bonds, if acceptable to the borrower.
5. Reduced the interest rate paid by Federal land bank borrowers whose loans were obtained through national farm-loan associations or were outstanding on May 12, 1933, to a maximum of 3 1/2 per cent. per annum for all interest payable on installment dates occurring within a period of one year beginning July 1, 1935, and to a maximum of 4 per cent. per annum for all interest payable on installment dates occurring within a period of two years commencing July 1, 1936.
6. Authorized Federal intermediate credit banks to discount paper for banks for cooperatives and to make loans to such banks.
7. Permitted the issuance of consolidated debentures by Federal intermediate credit banks, following substantially the same procedure as that followed by the Federal land banks in the issue of their consolidated bonds.
8. Provided that the rate of interest on any loan made by the Governor of the Farm Credit Administration or a bank for cooperatives to any co-operative association on the security of commodities shall conform, as nearly as

practicable, to the prevailing interest rate of commodity loans charged borrowers from the Federal intermediate credit bank of the district in which the principal office of the association is located.

9. Extended for an additional period of two years the authority of the Land Bank Commissioner, under Section 30 of the Emergency Farm Mortgage Act of 1933, to make loans to joint-stock land banks in order to further their orderly liquidation.

FARM CREDIT ADMINISTRATION

Created by an Executive order of the President (No. 6084), which was submitted to Congress on March 27, 1933, and which became effective on May 27, 1933. It provided for the consolidation within one organization of the powers and functions of all Federal agencies dealing primarily with agricultural credit.

The system includes the following: (1) 12 Federal Land Banks, which make long term first mortgage loans to farmers through Nation Farm Loan Associations; (2) 12 Federal Intermediate Credit Banks, which discount or make loans on the security of agricultural paper offered them by Production Credit Associations, Banks for Cooperatives and other agricultural financing institutions; (3) 12 Production Credit Corporations, which supervise and furnish a part of the capital for local Production Credit Associations, which in turn provide short-term credit for production and general agricultural purposes; (4) 12 District Banks for Cooperatives and the Central Bank for Cooperatives, which provide credit for farmers' cooperative purchasing, marketing and farm business service organizations; (5) the Federal Farm Mortgage Corporation, which finances Land Bank Commissioner loans made prior to July 1, 1947; (6) regional agricultural credit corporations originally established by the Reconstruction Finance Corporation; (7) crop production and seed loan activities formerly conducted by the Department of Agriculture; and (8) the Agricultural Marketing Act Revolving Fund, formerly administered by the Federal Farm Board.

The Emergency Farm Mortgage Act and the Farm Credit Act of 1933 enlarged the resources of existing lending institutions and provided for the establishment of new facilities which together now constitute a permanent cooperative credit system, designed to meet the entire range of needs of farmers for mortgage accommodation and for financing their production, marketing, and purchasing operations at minimum cost.

The Governor of the Farm Credit Administration is directly responsible to the President. He is vested with all the powers, authority, and duties of the officers, executive agencies, and heads thereof whose functions were transferred into the Farm Credit Administration, or relating to the functions so transferred.

Four commissioners, appointed by the President and responsible to the Governor, supervise separate fields of activity of the organization. The Land Bank Commissioner is responsible for the supervision and regulation of the Federal land banks and national farm loan associations; had general supervisory powers over the joint stock land banks and directed the liquidation of joint stock land banks in receivership; and administers the emergency farm mortgage loans authorized under section 32 of the Emergency Farm Mortgage Act of 1933. The Intermediate Credit Commissioner is responsible for the supervision and regulation of the Federal intermediate credit banks. The Production Credit Commissioner supervises the production credit corporations and production credit associations established under the Farm Credit Act of 1933. The Cooperative Bank Commissioner is in charge of the Central Bank for Cooperatives and is responsible for the supervision of the banks for cooperatives, both the Central bank and the 12 regional banks having also been established under the Farm Credit Act of 1933. The actions of all the commissioners are under the jurisdiction and control of the Governor of the Farm Credit Administration.

The organization in each of the 12 districts of the Farm Credit Administration—coinciding geographically with the Federal land bank districts—follows a similar pattern. In each district organization there are four permanent credit institutions—a Federal land bank, a Federal intermediate credit bank, a production credit corporation, and a regional bank for cooperatives—in addition to local national farm loan associations and production credit associations. The four main credit institutions are located in the same city and have the same directors. Unified policy is assured through the single board of directors, sitting as a coordinating body known as the "Council of the Farm Credit Administration for the district." Coordination of activities and avoidance of unnecessary duplication of personnel and facilities have been secured through an executive officer called the "general agent", nominated by the Governor of the Farm Credit Administration and appointed by the district council, acting with the presidents of the four lending institutions as an advisory committee.

Through its examiners, the Farm Credit Administration makes examinations of each bank twice annually and the national farm loan associations at least once a year. The Administration approves mortgage loans as security for bond issues, appoints appraisers, and, through its reviewing appraisers, checks the appraised value of farms. It supervises the work of the 12 registrars, who are bonded employees of the Administration and who hold in trust the collateral pledged to secure the bonds and debentures issued by the banks of the system. It is authorized to grant or refuse to Federal land banks or joint stock land banks authority to make any bond issue, and to Federal intermediate credit banks authority to make any debenture issue. Dividends by Federal land banks. The Farm Credit Administration is authorized to make such rules and regulations, not inconsistent with law, and to exercise such incidental powers as it deems necessary or requisite to fulfill its duties and carry out the purposes of the Federal Farm Loan Act and the applicable provisions of the Agricultural Credits Act of 1923, the Emergency Farm Mortgage Act of 1933, the Farm Credit Act of 1933, and amendments to these acts.

The Federal Farm Mortgage Corporation Act, approved January 31, 1934, provided for the establishment of an independent corporation, the Federal Farm Mortgage Corporation, which served as a financing institution during the emergency farm mortgage refinancing period for the Federal land banks and provided the funds for Land Bank Commissioner's loans made prior to July 1, 1947. Although an independent organization, the Corporation is closely associated with the Farm Credit Administration. Its officers and two of its three directors are officers of the Farm Credit Administration.

(See Farm Credit Act of 1933, and Farm Credit Act of 1935.)

FARMERS HOME ADMINISTRATION

In addition to the Farm Credit Administration system

of farm credit (Federal Land Banks and national farm loan associations, Banks for Cooperatives, Federal Intermediate Credit Banks, and Production Credit Corporations and production credit associations), the Farmers Home Administration is another Government agency furnishing miscellaneous financial aid to farmers. Specific function is to make loans and provide guidance in farm management as needed to farmers who are unable to obtain the credit they need at prevailing rates (not more than 5%) and terms from existing other sources.

The Farmers Home Administration was established under the Farmers Home Administration Act of 1946, approved August 14, 1946, to take over the functions of the Farm Security Administration and of the Emergency Crop and Feed Loan Division of the Farm Credit Administration. The Act also amended the Bankhead-Jones Farm Tenant Act of 1937.

The Administration is an agency of the U. S. Department of Agriculture, and provides two general types of loans: (1) production and subsistence loans up to $3,500 for the purchase of live stock, seed, feed, fertilizer, farm equipment, supplies, and other farm needs; for refinancing indebtedness; and for family subsistence; (2) farm ownership loans to buy, repair, improve or enlarge family type farms.

The production and subsistence loans are made for periods up to five years at 5% interest, include supervisory services, and are similar to the rural rehabilitation loans previously made by the Farm Security Administration. Farm ownership loans are made on an amortized basis at 3 1/2% interest. The Federal Housing Administration is authorized to insure such 40-year loans by private lenders, the lender receiving 2 1/2% and the Government receiving 1% for insurance and administrative expenses. Loans can be obtained up to 90% of the reasonable value of the farm and necessary improvements. Latest policy, announced late in 1947, is to insure mortgages when private funds are available, rather than to make direct loans, and only when an applicant cannot obtain an insured mortgage loan or lacks funds for the required down payment will direct loans be made. Veterans have preference for ownership loans and insured mortgages.

The Farmers Home Administration also administers the water facilities program of the Department of Agriculture authorized by the Water Facilities Act of 1937, for the 17 Western states.

FARM INCOME

The table below summarizes U. S. Department of Agriculture estimates of gross farm income and net farm income to persons on farms from farming (including Government payments since 1933):

Year	---in millions--- Gross Farm Income	Net Income to Persons on Farms from Farming
1910	$7,352	$4,450
1911	7,081	3,915
1912	7,561	4,335
1913	7,821	4,387
1914	7,638	4,516
1915	7,968	4,395
1916	9,532	5,055
1917	13,147	8,329
1918	16,232	9,660
1919	17,710	9,877
1920	15,908	8,368
1921	10,478	3,795
1922	10,883	4,850
1923	11,967	5,608
1924	12,623	5,560
1925	13,567	6,866
1926	13,204	6,617
1927	13,251	6,314
1928	13,550	6,687
1929	13,824	6,741
1930	11,388	5,114
1931	8,378	3,482
1932	6,406	2,285
1933	7,055	2,993
1934	8,486	3,531
1935	9,595	5,052
1936	10,643	5,361
1937	11,265	6,093
1938	10,071	5,041
1939	10,547	5,262
1940	10,965	5,477
1941	13,800	7,601
1942	18,399	11,305
1943	22,785	13,930
1944	23,893	14,039
1945	24,584	14,740

Sources--U. S. Department of Agriculture, Bureau of Agricultural Economics, 1910-1939, Net Farm Income and Parity Report, 1943; thereafter, The Farm Income Situation series.

The U. S. Department of Commerce series on National Income by Distributive Shares indicates that proprietors' and rental income from farms reached a new peak of $17.0 billion in 1947, compared with $15.2 billion in 1946 and $13.5 billion in 1945. With gross farm income at new highs, costs of farming, as compared with pre-War years, have risen much less than income received, reflecting lower rise in prices paid as compared with prices received. This combination of factors has resulted in new high levels in farm income. (See Farm Mortgages.

FARM LOAN BOARD

See Federal Farm Loan Board.

FARM LOAN BONDS

See Federal Farm Loan Bonds, Federal Farm Mortgage Corporation, Federal Land Bank, Joint-Stock Land Bank Bonds.

FARM LOAN COMMISSIONER

The Farm Credit Administration is managed by a Governor, a Deputy Governor, and four Commissioners: the Land Bank Commissioner, the Intermediate Credit Commissioner, the Cooperative Bank Commissioner, and the Production Credit Commissioner. Title of the Farm Loan Commissioner was changed on June 16, 1933 to Land Bank Commissioner.

The four Commissioners are appointed by the President of the United States by and with the advice and consent of the Senate. Each Commissioner supervises his

respective field of activity in the Farm Credit Administration.

The Land Bank Commissioner is responsible for the supervision and regulation of the Federal Land Banks and national farm loan associations, and has general supervisory powers over the remaining joint stock land banks, directing the liquidation of joint stock land banks in receivership. The Commissioner also administers the emergency farm mortgage loans authorized under Section 32 of the Emergency Farm Mortgage Act of 1933.

The Intermediate Credit Commissioner supervises the 12 Federal Intermediate Credit Banks.

The Cooperative Bank Commissioner is chairman of the board of directors of the Central Bank for Cooperatives, and supervises the 12 district Banks for Cooperatives.

The Production Credit Commissioner supervises the 12 Production Credit Corporations, and the production credit associations, and administers the Revolving Fund authorized by the Agricultural Marketing Act.

(See Farm Credit Administration.)

FARM LOAN DISTRICTS

See Federal Land Bank Districts.

FARM LOAN SYSTEM

See Farm Mortgages, Federal Credit Administration, Federal Farm Loan System, Federal Farm Mortgage Corporation, Joint-Stock Land Banks.

FARM LOANS

See Farm Mortgage Companies, Farm Mortgages.

FARM MORTGAGE BANKERS ASSOCIATION OF AMERICA

An association of farm mortgage companies at one time composed of about 200 members, consisting not only of farm mortgage companies, but of banks and trust companies having mortgage departments. The purpose of this association is to elevate the standard of mortgage bank practice, to promote constructive farm-mortgage legislation and to oppose legislation regarded as hostile to its welfare.

FARM MORTGAGE COMPANIES

Companies engaged in soliciting and selling bonds or notes secured by mortgages on farm property. In some states they are required to be organized under the state banking laws, but in others they may operate as unincorporated concerns. Usually mortgages are solicited throughout the territory of a company through local agents. Prospective borrowers usually are required to apply for a mortgage loan on a form provided by the mortgage company. Information required by this form, aside from that of a purely personal nature, is along the following lines:

1. The amount of property under cultivation.
2. Date of purchase.
3. The amount of present encumbrances, if any.
4. The fair market valuation of the land.
5. The cash value of improvements.
6. The rental value.
7. The nature of the crops of the previous and current year and their cash value.
8. The assessed valuation and amount of the taxes.
9. The character of the live stock and its cash value.
10. The location of the farm with respect to railroads, towns, churches, schools, etc.
11. The condition of the title to the property.
12. The purpose for which the money is to be borrowed.

After the application is received, the property is inspected by an agent of the company who makes a report recommending its acceptance or rejection and proposing the terms. The charges on a farm mortgage loan include interest sufficient to compel the sale of the mortgage at par, plus a commission to cover inspection, clerical and other overhead costs, usually ranging from 1/2 per cent. to 1 per cent. of the loan.

Mortgage companies sometimes issue bonds and mortgages directly to investors. These bonds are secured by the mortgages which the company has purchased. These bonds are much more conveniently distributed among investors because they are sold in even and convenient denominations. (See Mortgage Bonds, Mortgage Certificates.)

FARM MORTGAGE CORPORATION

See Federal Farm Mortgage Corporation.

FARM MORTGAGE FORECLOSURE ACT

An Act approved June 12, 1934, which amended Section 32 of the Emergency Farm Mortgage Act of 1933. This amendment enlarged the lending authority of the Land Bank Commissioner under the Emergency Farm Mortgage Act of 1933 to permit him to make loans to farmers for the purpose, among others, of enabling them to redeem and repurchase farm property owned by them prior to foreclosure, irrespective of the time when such foreclosure took place.

(See Land Bank Commissioner Loans.)

FARM MORTGAGE REFINANCING ACT

An act, passed January 31, 1934 which created the Federal Farm Mortgage Corporation, with a capital of $200,000,000, to aid in the refinancing of farm debts; authorized the corporation, with the approval of the Secretary of the Treasury, to issue and have outstanding at any one time bonds in an aggregate not exceeding $2,000,000,000, guaranteed both as to interest and principal by the United States; granted the corporation permission to exchange such bonds, upon application of any Federal Land Bank, for consolidated farm loan bonds of equal face value issued under the amended Federal Farm Loan Act and to exchange such consolidated farm loan bonds held by it for bonds of the corporation of equal face value; provided that the corporation might purchase, for cash, such consolidated farm loan bonds, make loans to Federal Land Banks on the security of such consolidated bonds and invest its funds in mortgage loans under Section 32 of the Emergency Farm Mortgage Act of 1933; and granted authority to the Land Bank Commissioner, until February 1, 1936, to make loans up to $600,000,000 on behalf of the Federal Farm Mortgage Corporation, either in cash or in bonds of the corporation.

Made available a revolving fund of $40,000,000 to the governor of the Farm Credit Administration.

(See Federal Farm Mortgage Corporation.)

FARM MORTGAGES

Mortgages upon farm lands and buildings. Borrowing with a farm mortgage as security is the chief means used by farmers to raise capital for the purpose of financing the purchase of land and to expand their operating equipment—buildings and implements. The farm

mortgage is the earliest type of mortgage, and the methods of farm mortgage lending have become fairly well standardized. Much of the American practice has been adopted from European Experience.

Farm mortgages generally run from three to five years, but frequently are renewed. The borrower (mortgagor) under a farm mortgage is required to guarantee the payment of taxes and to keep the buildings repaired and insured for the benefit of the lender (mortgagee). In case of default in the payment of the interest or in carrying out any of the mortgage agreements, the entire debt becomes immediately due.

As investments, loans on farm mortgages are considered very satisfactory provided the loan does not bear too large a ratio to the value of the mortgaged property. Under the Federal Farm Loan System (q. v.) a farm loan cannot exceed 50 per cent. of the value of the improved farm land which is mortgaged, and not more than 20 per cent. of the value of the buildings. Farm mortgage loans have the advantage of a relatively high yield, safety, early maturity, freedom from fluctuation in the value of the principal of the investment, and control by the owner over his investment. The chief disadvantages are that there is usually no market, and that they have been undesirable as long-term investments.

Records of the Bureau of Agricultural Economics indicate that in 1910, the total farm debt (farm mortgage debt as of January 1st, plus annual average of short term debt held by commercial banks and Federal agencies) totaled $4,044 million, compared with $41,961 million total value of farm property, indicating total farmers equity of $37,517 million. In 1920, the total farm debt was $12,321 million, compared with total value of farm property of $80,327 million, or equity of $68,006 million. In 1933, farmers equity dipped to $26,487 million (debt of $9,791 million, property value of $36,278 million), but by the close of 1945, had more than doubted to $58,659 million (debt of $7,007 million, property value of $65,666 million). In 1946, value of farm property rose to $73,140 million.

For latest figures on farm property values and debt, see the appended table, "Balance Sheet of Agriculture" (Table I.). Table II on page 210 summarizes long term data on farms.

TABLE I.

Balance Sheet of Agriculture

(Figures in billions as of January 1st)

Assets:	1947	1946	1940	---- Change ---- 1946-47	1940-47
Physical Assets:					
Real Estate	$58.6	$52.1	$33.6	+6.5	+24.9
Non-real estate:					
Livestock	11.9	9.7	5.1	+2.2	+ 6.8
Machinery and motor vehicles	6.9	6.2	3.1	+0.7	+ 3.7
Crops, stored on and off farms(1)	6.9	6.0	2.6	+0.9	+ 4.2
Household equipment	4.8	4.4	4.3	+0.4	+ 0.5
Financial Assets:					
Deposits and currency	15.1	13.7	3.9	+1.4	+11.2
U.S.Savings Bonds	5.4	4.9	0.2	+0.4	+ 5.1
Investment in cooperatives	1.6	1.4	0.8	+0.2	+ 0.8
Total Assets	$111.1	$98.6	$53.8	+12.6	+57.4
Liabilities:					
Real Estate mortgages	$4.9	$4.7	$6.6	+0.2	-1.7
Non-real estate debt:					
To principal institutions (excluding loans held or guaranteed by Commodity Credit Corp.)	1.9	1.7	1.5	+0.3	+0.4
Loans held or guaranteed by Commodity Credit Corp.	0.1	0.3	0.4	-0.2	-0.4
To others	1.5	1.2	1.5	+0.3	+0.1
Total Liabilities	$8.4	$7.8	$10.0	+0.6	-1.6
Proprietors' Equities	$102.8	$90.8	$43.8	+12.0	+59.0
Total Liabilities and Equities	$111.2	$98.6	$53.8	+12.6	+57.4

(1) Includes all crops held on farms and crops held in bonded warehouses as security for Commodity Credit Corporation loans.

Source--Federal Reserve Bulletin for November, 1947, based on study by the U. S. Department of Agriculture, Division of Agricultural Finance, Bureau of Agricultural Economics.

FARM RELIEF ACT OF 1933

The AAA Farm Relief and Inflation Act of May 12, 1933, which provided for farm mortgage relief by authorizing the refinancing of farm mortgages at 4 1/2% through the issuance of a maximum of $2 billion in Government bonds which would be guaranteed as to interest by the Government. The Act also provided for direct agricultural relief by authorizing the Secretary of Agriculture to force increased farm prices through allocation of production or withdrawal of land from production by leasing it. To pay the cost of this program, the Secretary of Agriculture was authorized to license and tax processors of agricultural products. This first AAA Act was declared unconstitutional in 1936 (see Agricultural Adjustment Act of 1933).

FARM SECURITY ADMINISTRATION

An agency created September 1, 1937 to replace the Resettlement Administration. It made loans and offered guidance in farm and home management to low-income farmers who were unable to obtain credit to meet their needs on reasonable terms from other sources.

By the Farmers Home Administration Act of 1946, approved August 14, 1946, the Farmers Home Administration took over the functions of the Farm Security Administration, as of November 1, 1946. (See Farmers Home Administration.)

FARTHING

An English copper coin with the smallest denomination and having the value of 1/4 penny.

FASCISM

The governmental form initiated in 1922, and best

TABLE II.

Farms Operated by Full Owners

	1920	1930	1935	1940
Total Number of Farms	3,366,510	2,911,644	3,210,224	3,084,138
Number of Farms Mortgaged	1,193,047	1,231,688	1,270,107	1,278,312
% of Total Farms	35.4%	42.3%	39.6%	41.4%
Land in Farms (1,000 acres)	461,250	372,450	390,978	382,098
Land Mortgaged (1,000 acres)	---	182,081	181,868	180,452
Value of All Farms (Land and Bldgs.) ($1,000)	$30,710,721	$21,123,468	$14,824,645	$15,297,274
Value of Mtged. Farms (Land and Bldgs.) ($1,000)	$13,775,500	$10,955,133	$ 7,338,406	$ 7,887,163
Farm Mtge. Debt ($1,000)	$ 4,003,767	$ 4,337,225	$ 3,682,364	$ 3,353,376
Ratio of Debt to Value	29.1%	39.6%	50.2%	42.5%
Average Value per Mtged. Farm	$11,546	$8,895	$5,778	$6,170
Average Debt per Mtged. Farm	$ 3,356	$3,521	$2,899	$2,623

Sources--Department of Commerce, Bureau of Census, and Department of Agriculture.

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exemplified by Italy under the leadership of Benito Mussolini, the first premier under the Fascist regime, and chief originator of its principles. Italy was followed into fascism by Germany under Hitler, Austria, Hungary; Poland (under Gen. Pilsudski) and on a lesser scale by other central European and Balkan nations. Many of these imitations made no pretense of following fascistic political theory and were bald military dictatorships. Defeat of the Axis nations in World War II doomed the political power of fascism, so that the following is now merely of academic interest.

Fascism held that democracy and representative government, however glorious in the past, were no longer tenable under modern economic and political conditions. To prevent internal political strife and clash of varying shades of political opinion, parliamentary government was abolished and only one party recognized. In Italy, the affairs of state were administered by a dictator—the titular head of the State party—under the supervision of the Grand Fascist Council which delegated authority over various governmental functions.

Fascism contended that the trend was toward new forms in civilization, both in politics and economics. The state was resuming its right and its prestige as the sole and supreme interpreter of life in all its major aspects. In this sense, modern fascism suggested the kameralistic and mercantilistic doctrines of the 16th, 17th and 18th centuries. Fascism sought to unify or bind the citizenship, by common ties to work for the good of the state under the shibboleths: "Everything within the State—nothing without the State—Everything for the State." As a Corporative, or Authoritarian, State, citizens were welded together into a system of organization based on the individual's utility to the state. Thus, the State's organization was based largely upon occupational categories or work guilds in the leading industries, presided over by a Cabinet department called the Ministry of Corporations.

The system of occupational unions (sindacati) and producers' guilds (corporazioni) provided the means for implementing the Fascist Guild State, i. e., a State in which all national activities (political, economic, social, cultural) were brought within the framework of the State.

The 22 guilds set up in accordance with the resolutions adopted by the Central Guild Committee at its meeting of 9th May, 1934, were presided over by the Minister of Guilds; the Vice President of each guild was selected from the executive ranks of the National Fascist Party, and three members of that Party, representing the public, sat on each of the respective guild boards. Subject to these general provisions, the membership of the boards was as follows:

1. Cereal guild.
2. Fruit, vegetable and flower guild.
3. Viticulture and wine guild.
4. Beet and sugar guild.
5. Edible oil guild.
6. Animal husbandry and fisheries guild.
7. Forestry, lumber and wood guild.
8. Textile fibres and products guild.
9. Metal and engineering guild.
10. Chemical trades guild.
11. Clothing trades guild.
12. Paper and publishing guild.
13. Building trades guild.
14. Water, gas, and electricity guild.
15. Mining and quarrying guild.
16. Glass and pottery guild.
17. Credit and insurance guild.
18. Arts and professions guild.
19. Sea and air transports guild.
20. Inland communications guild.
21. Public entertainments guild.
22. Public hospitality guild.

It is apparent, therefore, that fundamental and tremendous changes in the political and economic system of Italy were wrought by the fascists in order to solidify their control.

FAVORABLE BALANCE OF TRADE

See Balance of Trade.

FAVORABLE CONDITIONS

A term used among financial writers to indicate those forces conducive to higher security or commodity values. Favorable conditions may be divided broadly into two groups, namely, political (United States and abroad), and economic (business and financial).

Under favorable political conditions may be classed election of a presidential candidate favored by business interests, passing of constructive legislation helpful directly or indirectly to business, e. g., tariff, Supreme Court decision, railroad aid, etc. It may also be international in its effect, such as the settling of an international dispute.

Under favorable financial conditions may be included low money rates, high ratio of cash reserves to deposit liabilities, as shown by bank statements, etc.

Under favorable business conditions may be included activity in production and distribution, large bank clearings, good crops, few idle cars, large earnings, few commercial failures, stable or rising prices, etc.

FEDERAL ADVISORY COUNCIL

Under the original Federal Reserve Act (Section 12), provision was made for the Federal Advisory Council, to consist of as many members as there are Federal Reserve districts. Each Federal Reserve Bank by its board of directors annually selects from its own Federal Reserve district one member of the Council. The meetings of the Council are required to be held at Washington, D. C., at least four times each year, and oftener if called by the Board of Governors of the Federal Reserve System. In addition, the Council may hold such other meetings in Washington or elsewhere as it may deem necessary.

Powers of the Council are specified in the Act as: (1) to confer directly with the Board of Governors on general business conditions; (2) to make oral or written representations concerning matters within the jurisdiction of the Board; and (3) to call for information and to make recommendations in regard to discount rates, rediscount business, note issues, reserve conditions in the various districts, the purchase and sale of gold or securities by Reserve Banks, open market operations by Reserve Banks, and the general affairs of the Federal Reserve System. Thus, the powers of the Council are purely advisory. (See Federal Reserve System.)

FEDERAL APPROPRIATIONS

See under National Budget.

FEDERAL BILL OF LADING ACT

See Bill of Lading Act.

FEDERAL CREDIT UNIONS

Cooperative associations organized under the Federal Credit Union Act, for the purpose of promoting thrift among members and creating a source of credit for provident or productive purposes.

Effective May 16, 1942, supervision of Federal Credit Unions was transferred from the Farm Credit Administration to the Federal Deposit Insurance Corporation. This transfer was made permanent on July 1, 1947, in accordance with the Reorganization Plan No. 1 of 1947 prepared by the President of the United States.

As of June 30, 1947, there were 3,812 Federal Credit Unions in operation. Credit unions are not insured by the Federal Deposit Insurance Corporation.

FEDERAL CROP INSURANCE CORPORATION

The Federal Crop Insurance Corporation, an agency of the Department of Agriculture, was created in February, 1938, and authorized to insure wheat and cotton crops. The Corporation was authorized a capital stock of $100,000,000, to serve as an insurance reserve.

After inaugurating wheat crop insurance with the 1933 crop, and cotton crop insurance with the 1942 crop, the Agricultural Appropriation Act for the fiscal year ending June 30, 1944 provided that no part of the funds appropriated to administer the crop insurance program should be used to insure wheat and cotton crops planted subsequent to July 31, 1943. Consequently, no 1944 crops were insured, and the Corporation began to wind up its affairs. Subsequently, however, the program was reinstated on a more conservative plan of insurance of wheat and cotton, and provision was made for trial insurance on other crops. (See Crop Insurance.)

FEDERAL DEPOSIT INSURANCE CORPORATION

Established by the Banking Act of 1933 (q. v.), which added the entirely new Section 12B to the Federal Reserve Act, entitled Insurance of Bank Deposits. The section was later amended by Act of June 16, 1934, which extended the Temporary Plan for insurance of deposits to June 30, 1945; by Public Resolution of June 28, 1935, which further extended the Temporary Plan to August 31, 1935; and finally, by the Banking Act of 1935 (q. v.), which completely revised the section.

Chief purpose of the corporation is to insure the deposits of all banks entitled to the benefits of deposit insurance. All banks which are members of the Federal Reserve System are insured. Any other banks in the continental United States which are not members of the Federal Reserve System may become insured upon application therefor and examination by the corporation and approval by its board of directors. Banks in Hawaii, Alaska, Puerto Rico and the Virgin Islands are also eligible for insurance. Conversely, any bank which is not a member of the Federal Reserve System may terminate its deposit insurance upon notice at any time, the insurance on the bank's deposits continuing for two years thereafter.

Insurance to the extent of $5,000 of the deposits of each depositor in an insured bank is provided. Insurance extends to deposits of every kind, including regular commercial deposits, time and savings deposits, and trust funds. No distinction is made between public and private deposits, the insurance being applicable despite the security required for public deposits. "Deposit insurance" is really a nation-wide mutual guaranty fund, annual assessments at the rate of 1/12th of 1% upon average deposits (less authorized deductions) being levied upon insured banks in order to provide insurance reserves. The assessment is payable in semi-annual installments.

As of June 30, 1947, there were 13,582 insured banks (5,012 national banks, 1,913 state member banks, 6,466 state non-member banks and 191 mutual savings banks), with total deposits of $133.7 billion, of which $62.1 billion were covered by the $5,000 insurance, for the insured commercial banks; and total deposits of $11.9 billion, of which $10.9 billion were insured, for the insured mutual savings banks. Over 96% of the more than 80 million depositors in these insured banks were fully protected by the maximum $5,000 insurance for each depositor.

Compared with this deposit insurance liability, the

corporation as of June 30, 1947 reported total assets of $1,136 million, consisting largely ($1,125 million) of U. S. Government securities held, and net worth of $1,134 million. The corporation, however, is authorized to borrow from the Secretary of the Treasury such funds as are required from time to time for insurance purposes, not to exceed in the aggregate $3 billion at any one time, at rates of interest not less than current average rate on outstanding Government obligations. The corporation has no borrowed money, sole capital consisting of 1,026,043.07 shares of no par value (issued at $100 per share), receipts for all of these shares being held by the Secretary of the Treasury. Originally, the U. S. Treasury subscribed $150 million to capital stock, and each Federal Reserve Bank subscribed an amount equal to 1/2 of the surplus of each Reserve Bank as January 1, 1933. The shares held by the Federal Reserve Banks were all retired on September 9, 1947.

Procedure of the corporation upon closing of an insured bank is to assume immediately the insured deposit liabilities of the closed bank and make available the funds needed to pay off the deposits. For this purpose, if it finds it advisable, the corporation may organize a new national bank. Claim of each insured depositor is paid upon assignment to the corporation by the depositor of all his rights to any dividends and recoveries to the extent of his insured interest (subrogation).

The corporation acts as receiver for all suspended national banks, and may act as receiver for suspended state banks when so appointed by state authority. The corporation may make loans to or purchase assets from insured banks to facilitate a merger or consolidation which would reduce probable loss to the corporation. The decision to close an insured bank does not rest with the corporation, as this power rests with the bank's directors or with the Federal or state authorities which chartered it. Also, the decision to merge with another bank is made by the bank's stockholders, not the corporation.

The corporation does have, however, the power to terminate the insurance of a bank found to be financially unsound or of a bank whose management persists in following illegal or unsound practices. Its powers also include: (1) to examine periodically insured banks which are not members of the Federal Reserve System; also national banks, with the consent of the Comptroller of the Currency, and other member banks, with the consent of the Board of Governors of the Federal Reserve System; (2) to approve or disapprove any consolidation or merger of an insured bank with a non-insured bank, or the transfer of assets to a non-insured bank in consideration of the latter's assumption of deposit liabilities; (3) to approve or disapprove any proposals to reduce the capital of insured banks not members of the Federal Reserve System; (4) to approve or disapprove proposals by insured banks not members of the Federal Reserve System to establish and operate new branches or remove established branches from one location to another; (5) to regulate the advertising which insured banks are required to use to inform the public that they are insured; (6) to prohibit the payment of interest on demand deposits of insured banks not members of the Federal Reserve System; (7) to limit rates of interest on time and savings deposits of insured banks not members of the Federal Reserve System, and to prescribe different rates for different types of time and savings deposits.

Management of the corporation is vested in a board of directors consisting of three members. The President of the United States appoints two of the members for terms of six years by and with the advice and consent of the Senate. The third member is the Comptroller of the Currency. One of the appointive members is designated chairman of the board of directors. Not more than two members of the board shall belong to the same political party.

Principal office of the corporation is in Washington, D. C.; district offices are located in Boston, New York, Columbus, Richmond, Atlanta, St. Louis, Madison, Chicago, St. Paul, Kansas City, Dallas and San Francisco.

(See Bank Deposit Insurance Act, Deposit Insurance, Insured Bank.)

FEDERAL FARM BOARD

A board created under the Agricultural Marketing Act passed June 15, 1929, but absorbed by and consolidated with the Farm Credit Administration (q. v.) in accordance with the provisions of the Farm Credit Act of June 15, 1933. The original function of this board was to extend aid in organizing farm co-operatives, and stabilizing prices of agricultural staples by purchases in the open market or enabling co-operatives to do so through advances from government funds.

In its first annual report for year ended June 30, 1930, transmitted December 4, 1930, the Federal Farm Board summarized the objectives to be achieved as follows: (1) To promote the effective merchandising of agricultural commodities in interstate and foreign commerce and (2) to protect, control, and stabilize the currents of interstate and foreign commerce in the marketing or agricultural commodities and their food products. Four methods to be employed in the execution of this policy were specifically set forth: (1) By minimizing speculation, (2) By preventing inefficient and wasteful methods of distribution, (3) By encouraging the organization of producers into effective associations or corporations under their own control for greater unity of effort in marketing and by promoting the establishment and financing of a farm marketing system of producer-owned and producer-controlled co-operative associations and other agencies, (4) By aiding in preventing and controlling surpluses in any agricultural commodity, through orderly production and distribution, so as to maintain advantageous domestic markets and prevent such surpluses from causing undue and excessive fluctuations or depressions in prices for the commodity.

FEDERAL FARM LOAN ACT

Tne Federal Farm Loan Act, which became law on July 17, 1916, was the first major effort on the part of the Federal government to provide long term credit facilities for agriculture. The purposes of the Act were "to provide capital for agricultural development, to create standard forms of investment based upon farm mortgages, to equalize rates of interest upon farm loans, to furnish a market for United States bonds, to create government depositaries and financial agents for the United States, and for other purposes." The Act provided for:

1. The Federal Farm Loan Board, consisting of seven members, including the Secretary of the Treasury as chairman ex-officio, and six members appointed by the President of the United States by and with the advice and consent of the Senate. Of these six members appointed by the President, not more than three were ap-

pointed from one political party, and all six were to devote their entire time to the business of the Federal Farm Loan Board;

2. Twelve Federal Land Banks, located in cities designated by the first Federal Farm Loan Board, which cities were required to be other than those in which the Federal Reserve Banks were located;

3. National Farm Loan Associations, organized and controlled by at least ten or more borrowing farmers; and

4. Joint Stock Land Banks, which were privately owned and operated long term or agricultural credit institutions.

The Agricultural Credits Act of 1923 amended the Federal Farm Loan Act to create twelve new type institutions called Federal Intermediate Credit Banks, located in the same cities as the Federal Land Banks, and operating under the jurisdiction of the Federal Farm Loan Board. Function of the Federal Intermediate Credit Banks was to provide intermediate credit to agriculture of not less than six months nor more than three years.

The Act was further amended by the Farm Credit Act of 1933 (q. v.) and the Farm Credit Act of 1935 (q. v.), as the result of which the old Federal Farm Loan Board has been superseded by the Farm Credit Administration (q. v.). See also Federal Farm Loan System.

FEDERAL FARM LOAN BOARD

With the passage of the Farm Credit Act of 1933, this board was superseded by the Farm Credit Administration (q. v.).

For the purpose of the historical record the following description is given:

The board upon whom the general supervision of the Federal Farm Loan System rested. It was composed of the Secretary of the Treasury (ex-officio) and four other members appointed by the President. The powers and duties of the Federal Farm Loan Board in relation to the Federal Farm Loan System were analogous to those of the Federal Reserve Board in the supervision of the Federal Reserve System. The board supervised the operations of the Federal land banks, farm loan associations, and joint-stock land banks; regulated interest rates and charges on farm mortgage loans, supervised the issue of farm loan bonds, conducted examinations of the banks under their jurisdiction, issued regulations for the guidance of the land banks and farm loan associations, and issued reports showing the condition of the banks and of agricultural credit.

(See Federal Farm Loan System.)

FEDERAL FARM LOAN BONDS

An originally authorized in the Federal Farm Loan Act of 1916, Federal Farm Loan Bonds were obligations of the Federal Land Banks and the Joint Stock Land Banks. The Emergency Farm Mortgage Act of May 12, 1933, however, restricted Joint Stock Land Banks to orderly liquidation of their existing assets. Issues by Federal Land Banks prior to 1933 were issued individually by each Federal Land Bank, but the last remaining issues of individual banks were called for payment in 1939, and now the Federal Land Banks have outstanding only Consolidated Federal Farm Loan Bonds.

As of January 31, 1948, unmatured consolidated bonds including bonds on hand, were outstanding in the amount of $686,932,000, as shown in Table I on this page.

Both principal and interest are joint and several obligations of the 12 Federal Land Banks. In addition, the bonds are secured by the collateral security, the assets of the local National Farm Loan Associations through endorsements, and the double liability of the stockholders of the Associations. Federal Farm Loan Bonds were ruled by U. S. Supreme Court interpretation as instrumentalities rather than obligations of the U. S. Government. Consolidated Federal Farm Loan bonds and the income derived therefrom are exempt from state, municipal and local taxation, but interest on these bonds issued after effective date of the public Debt Act of 1941 is not exempt from taxation by the U. S. Government, and neither gain from their sale or other disposition, nor transfer of the bonds by inheritance, gift, etc., is exempt from Federal or state taxation.

Maximum interest rate authorized to Consolidated Federal Farm Loan bonds is 5%. The law requires that collateral security for consolidated bonds shall be at least equal in amount to the bonds issued, and shall consist of:

1. Notes secured by mortgages or purchase money mortgages on farms, or contracts for the sale of farms; provided, any such mortgage, purchase money mortgage or contract constitutes a first lien on the farm or its equivalent from a security standpoint, as determined by the Farm Credit Administration, and the unpaid balance thereof at the time of pledge is not in excess of 65% of the normal value of the farm, as determined upon appraisal made pursuant to the Federal Farm Loan Act; or
2. U. S. Government obligations, direct or fully guaranteed; or
3. Cash.

The Farm Credit Administration may at any time call upon any Federal Land Bank for additional security to protect consolidated bonds. Collateral pledged with Farm Loan Registrars by the Federal Land Banks for consolidated bonds outstanding December 31, 1947 was as follows: collateral value of pledged mortgage loans, $818,213,861; U. S. Government obligations, direct and fully guaranteed (par), $4,563,000; total collateral,

TABLE I

	Amount Outstanding	Rate of Interest	Date of Maturity	Optional Date	Date of Issue
1.	$114,035,000	2 1/4%	Feb. 1, 1955	Feb. 1, 1953	Feb. 1, 1945
2.	153,700,000	1 1/2	Oct. 1, 1950	Oct. 1, 1948	Aug. 1, 1945
3.	188,790,000	1 1/2	Jan. 1, 1953	Jan. 1, 1951	Jan. 2, 1946
4.	209,407,000	1 1/4	May 1, 1952	May 1, 1950	May 1, 1946
5.	* 21,000,000	1 1/4	May 1, 1952	May 1, 1950	May 1, 1946

*Amount issued through the Farm Credit Administration and employed by the Federal Land Banks as collateral for notes payable.

$822,776,861, compared with total consolidated bonds outstanding, December 31, 1947, of $689,382,000, or excess collateral of $133,394,861.

Since June 26, 1947, when all Government subscriptions to the capital stock and paid-in surplus of the Federal Land Banks were repaid to the U. S. Treasury, this cooperative farm loan system has been owned by farmer-borrowers.

(See Federal Farm Loan System, Federal Land Bank, Joint Stock Land Bank Bonds.)

FEDERAL FARM LOAN SYSTEM

A system of farm mortgage banking organized under Government supervision, created by the Federal Farm Loan Act (q. v.) approved July 17, 1916. The system was instituted to furnish a mechanism to provide long-term credits to farmers, and to obtain an adequate supply of capital to finance these credits through the issue of bonds secured by well selected farm mortgages. Before the passage of this Act, such a system was not provided by the Federal or State governments.

The general administration of the system was originally under the control and supervision of the Federal Farm Loan Board, which was directed by the Act to divide the continental United States into 12 districts, to be known as Federal Land Bank Districts, and to establish a Federal Land Bank in each district, having a capital of not less than $750,000. The functions of the Federal Farm Loan Board were assumed by the Farm Credit Administration on May 27, 1933, and the Farm Credit Act of 1937 provided that these districts be thereafter known as Farm Credit Districts (see below).

The original Act provided for two separate schemes of rural credits, both under the jurisdiction of the Federal Farm Loan Board: (1) Federal Land Bank System, and (2) joint stock land bank system. The Federal Land Bank System operated through (1) the twelve Federal Land Banks; (2) national farm loan associations; and (3) agencies. The joint stock land bank system operated through the joint stock land banks, privately organized and owned, the number of which was not limited. The joint stock land banks were prohibited from acquiring new business and were restricted to the orderly liquidation of their existing assets by the Emergency Farm Mortgage Ace of 1933.

The Federal Land Banks are authorized to extend long term mortgage credit to farmers upon the security of first mortgages on farm lands. The mortgages are made on an amortization basis, for maturities of not less than 5 years nor more than 40 years. A bank, however, may agree to accept payment of a loan in whole or in part at any time. Most loans have been made for maturities of 33 to 36 years, although many loans are made for shorter terms, such as 20 years or less. Practically all loans in the continental United States are now made through the national farm loan associations. No loans have been made through agents for some time. Direct loans from the Federal Land Banks may be authorized in areas where association facilities are not available.

Before obtaining a loan, the farmer-applicant subscribes 5% of his loan in stock of the national farm loan association, which stock is held by the association as collateral for the loan, which the association must endorse. The application for the loan is referred to the loan committee of the association, which appraises the property offered as security, and if it approves, forwards the application together with its recommendation, to the Federal Land Bank of the district. The Federal Land Bank in turn conducts a second investigation through a land bank appraiser, who is under the supervision of the Land Bank Commissioner and is not an employee of the land bank. If and when the loan is granted, the funds are forwarded to the borrower from the Federal Land Bank through the national farm loan association. When the borrower subscribed to stock in the association, the association in turn subscribed to an equal amount of stock in the Federal Land Bank, which is held by the land bank as collateral for the loan. A Federal Land Bank is not permitted to make a loan through a national farm loan association unless the loan committee of the association is unanimous in its approval; and in no event unless the land bank appraiser's report is favorable.

No loans may be made to any one borrower in an amount exceeding $50,000, and loans to any one borrower may not exceed $25,000 unless approved by the Land Bank Commissioner. Loans may not be made in excess of 65% of the appraised normal value of the farm property offered as security. The maximum rate of interest which a Federal Land Bank is permitted to charge is 6% in any event. Rate of interest in the continental United States on Federal Land Bank loans through national farm loan associations may not exceed by more than 1% the interest rate borne by the last series of bonds issued by the bank, except with approval of the Governor of the Farm Credit Administration. The rate of interest on direct Federal Land Bank loans in the continental United States must be 1/2 of 1% in excess of the rate charged at the time on loans made through national farm loan associations. Since June 24, 1935, interest rates on new loans have been uniformly 4%, and effective for all interest maturing on and after July 1, 1944, the Federal Land Banks voluntarily reduced to 4% the rate of interest on all loans made prior to June 14, 1935.

When a borrower pays a loan in full, the land bank retires the stock which was subscribed for by the association at the time the loan was made, and pays that amount in cash to the association if the latter is up to date on obligations to the land bank. The association in turn retires the borrower's stock and credits the proceeds to the borrower. Original capital stock subscribed by the U. S. Government in the Federal Land Banks ($8,892,130 out of the original authorized capital of $9,000,000 for the twelve Federal Land Banks, or $750,000 each) was entirely retired out of the proceeds of subscriptions by borrowers. Under amendment to the Federal Farm Loan Act approved January 23, 1932, the Secretary of the Treasury on behalf of the United States subscribed for $125,000,000 of additional capital stock in the twelve Federal Land Banks, all of which has also been retired. Between June 19, 1934 and May 14, 1937, $189,000,000 was appropriated by Congress for the purpose of having the Secretary of the Treasury pay in to surplus of the Federal Land Banks sums representing entensions and deferments of maturing installments on outstanding loans. All of these contributions to surplus have also been repaid by the Federal Land Banks. Accordingly, since June 26, 1947, the United States Government has had no proprietary interest in any Federal Land Bank, and the outstanding capital stock of the Federal Land Banks is owned entirely by national farm loan associations to a smaller extent by farmers who were direct borrowers.

Farm Credit Administration.--Under the Farm

Credit Administration, which itself has been a part of the Department of Agriculture since July, 1939, each of the twelve Farm Credit Districts now is organized as follows: (1) Farm Credit Board, supervising the district; (2) a Federal Land Bank, serving the district's national farm loan associations; (3) a Bank for Cooperatives; (4) a Federal Intermediate Credit Bank; and (5) a Production Credit Corporation, serving the district's production credit associations. Thus, the present organizational set-up for each Farm Credit District provides facilities for long term and short term loans and the financing of farmers' cooperative purchasing, marketing, and business service associations.

(See Amortization Loans, Banks for Cooperatives, Farm Credit Administration, Federal Farm Mortgage Corporation, Federal Land Bank, Intermediate Credit Banks, Joint Stock Land Banks, Production Credit Associations.)

FEDERAL FARM MORTGAGE CORPORATION

Established by the Federal Farm Mortgage Corporation Act, approved January 31, 1934, to facilitate the financing of loans to farmers by the Federal land banks and by the Land Bank Commissioner. The Corporation has an authorized capital stock of $200,000,000, which was subscribed by the Governor of the Farm Credit Administration in behalf of the United States. For the purpose of such capital subscription, the funds and proceeds thereof made available to the Land Bank Commissioner under section 32 of the Emergency Farm Mortgage Act of 1933 and the mortgages taken by the Commissioner and the credit instruments secured thereby were transferred to the Corporation.

The board of directors of the Corporation is composed of the Governor of the Farm Credit Administration as chairman, the Land Bank Commissioner and the Secretary of the Treasury or an officer of the Treasury designated by him. The directors elect the officers of the Corporation and have power to adopt such by-laws, rules, regulations, and amendments as they deem necessary for the conduct of the business of the Corporation.

The Corporation, with the approval of the Secretary of the Treasury, may issue and have outstanding at any one time bonds in an aggregate amount not exceeding $2,000,000,000. These bonds, known as "Federal Farm Mortgage Corporations bonds," are fully and unconditionally guaranteed both as to principal and interest by the United States Government. The Corporation had no outstanding bonded debt as of December 31, 1947 (see Federal Farm Mortgage Corporation Bonds).

FEDERAL FARM MORTGAGE CORPORATION BONDS

The Federal Farm Mortgage Corporation had no outstanding bonded debt as of December 31, 1947.

The corporation is authorized, subject to the approval of the Secretary of the Treasury, to issue and have outstanding at any one time bonds in an aggregate amount not to exceed $2 billion. Bonds issued are secured by the assets of the corporation, and are instrumentalities of the U. S. Government. The Secretary of the Treasury in his discretion may purchase any bonds issued by the corporation. Federal Land Banks are also empowered to exchange Farm Loan bonds for bonds of the Federal Farm Mortgage Corporation of equal face value, and to purchase bonds of the corporation at or below par.

As of December 31, 1947, the corporation reported total assets of $125,849,113, of which mortgage loans and related items totaled $111,240,706, carried less reserves at net of $96,288,833. Cash in general funds totaled $4,515,818, and receivables, largely notes receivable from the Federal Land Banks, totaled $21,448,690. Net worth totaled $120,708,028, consisting of capital stock of $1,000,000 (subscribed by the Governor of the Farm Credit Administration on behalf of the United States) and earned surplus of $119,708,028.

FEDERAL HOME LOAN BANK ACT

See Home Loan Bank Act.

FEDERAL HOME LOAN BANK ADMINISTRATION

The title given to the constituent of the National Housing Agency, which senior agency was created by Executive Order of the President on February 24, 1942 to centralize non-farm housing activities. The Administration supervised the Federal Home Loan Bank System, the Federal Savings and Loan Insurance Corporation, and liquidation of the Home Owners' Loan Corporation.

Under the Reorganization Plan No. 3 of the President, the National Housing Agency was succeeded by the Housing and Home Finance Agency on July 27, 1947, and the Federal Home Loan Bank Administration was renamed the Home Loan Bank Board. (See Federal Home Loan Banks, Federal Savings and Loan Insurance Corporation, Home Owners' Loan Corporation.)

FEDERAL HOME LOAN BANKS

The Federal Home Loan Bank System was established in accordance with the Federal Home Loan Bank Act, approved July 22, 1932, and consists of eleven regional Federal Home Loan Banks and 3,705 member institutions (December 31, 1947), primarily savings and loan associations (including cooperative banks and homestead associations), and a number of saving banks and insurance companies. The System is supervised by the Home Loan Bank Board, a constituent operating agency under the Housing and Home Finance Agency, and serves as a central credit agency for private home-financing institutions.

The chief objective of the System is to make ample credit available to home owners or buyers through private lending institutions and to enable families to finance the purchase of homes at lower cost through improved types of mortgage loans which can be paid off conveniently over a period of years. Member institutions of the System may obtain reserve credit from their regional home loan banks for this purpose or in order to meet unusual withdrawal needs of their investors. An additional source of protection is provided by the Federal Savings and Loan Insurance Corporation, which insures accounts up to $5,000 in savings and loan associations. Both the Bank System and the Insurance Corporation serve home owners and savers through private financial institutions, and only indirectly through Government supervision and cooperation.

The Federal Home Loan Banks and Districts are as follows:

No. 1, Boston, Mass.; includes Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island and Vermont.

No. 2, New York City; includes New Jersey, New York, Puerto Rico, Virgin Islands.

No. 3, Pittsburgh, Pa.; includes Delaware, Pennsylvania, and West Virginia.

No. 4, Winston-Salem, N. C.; includes Alabama, District of Columbia, Florida, Georgia, Maryland, North Carolina, South Carolina, and Virginia.

No. 5, Cincinnati, Ohio; includes Kentucky, Ohio, and Tennessee.

No. 6, Indianapolis, Ind.; includes Indiana and Michigan.

No. 7, Chicago, Ill.; includes Illinois and Wisconsin.

No. 8, Des Moines, Iowa; includes Iowa, Minnesota, Missouri, North Dakota and South Dakota

No. 9, Little Rock, Ark.; includes Arkansas, Louisiana, Mississippi, New Mexico and Texas.

No. 10, Topeka, Kansas; includes Colorado, Kansas, Nebraska and Oklahoma.

No. 11, San Francisco, Calif.; includes Idaho, Montana, Oregon, Utah, Washington, Wyoming, Alaska, Arizona, California, Nevada and Hawaii.

Advances from Federal Home Loan Banks to member institutions are made strictly upon the basis of the loan requests, the aggregate amount that may be advanced being dependent primarily upon the member institution's needs and ability to repay. The maximum amount a member may borrow is limited to 12 times the amount it has paid in toward the purchase of stock of the Federal Home Loan Bank. If the amount already paid in by a member is insufficient to permit the granting of an additional advance, the advance, if approved, can be consummated only if the instiution purchases the requisite amount of additional stock. All advances are made on the note of the borrowing institution, and capital stock of the Federal Home Loan Bank owned by the borrowing member must be assigned to the bank as security. Advances made under Section 10 of the Act must be also secured by the deposit and assignment of home mortgages or obligations of the United States as collateral to the note. Range of prevailing interest rates in the several Banks, as of December 31, 1947 was from 2% to 2 1/2%. Maturities are either short-term (30 days and 1 year), or long term (generally 10 years, amortized).

Funds of the System are obtained through (1) stock subscriptions; (2) borrowing. The United States has subscribed and paid for a total of $124,741,000 of stock in the Federal Home Loan Banks, of which $122,672,200 was outstanding December 31, 1947. As of that date, member institutions had subscribed for a total of $103,-083,400 of stock. Borrowed funds as of December 31, 1947 totaled $261,700,000, consisting of $140,000,000 in Consolidated Debenture 1 1/4s, "A" dated October 15, 1946 and due April 15, 1948; $85,000,000 Consolidated 1 1/4% Notes, "A", dated September 15, 1947 and due September 15, 1948; and $36,700,000 Consolidated 1 3/8% Notes, due February 17, 1948. On January 8, 1948, the System sold another $97,000,000 in Consolidated 1 3/4% Notes, "A", dated January 20, 1948 and due on January 20, 1949. Proceeds of sale were used in part to retire the February 17, 1948 maturity, and the balance used for advances to member banks. Consolidated bonds or notes are limited to not over 12 times total paid-in capital stock and reserves, and the banks are required at all times to maintain cash, Government securities, secured advances, and mortgages having guaranty, insurance or commitment therefor by the Government or any Government agency, at least equal to the amount of consolidated bonds or notes outstanding, and free of any lien or pledge. Neither obligations of the several Federal Home Loan Banks nor consolidated obligations of the Banks are obligations of the United States or guaranteed by the United States. Obligations are legal for investment by fiduciaries under authority or control of the United States, and for savings banks and fiduciaries in many states. Obligations are exempt from income and personal property taxes of any state or local taxing authority, but income is subject to all Federal taxes.

Any Federal Home Loan Bank may accept deposits from its member institutions, and when so designated by the Secretary of the Treasury, may be appointed a depository for public funds except customs receipts. Deposits with Federal Home Loan Banks are not subject to check, and the interest rate on time deposits must not exceed 1% except with prior approval of the Home Loan Bank Board.

Through inter-bank transactions, funds may be shifted from areas of abundant credit to areas of scarcity. As of December 31, 1947, a total of $435,572,186 in advances were outstanding for the System, compared with $293,454,767 December 31, 1946. Cash totaled $36,-704,450, Government securities $139,127,492, and total assets were $612,689,342, December 31, 1947, as against total obligations of $261,700,000, time and demand deposits of $98,498,264,and net worth of $249,-873,234 (capital stock of $225,749,775; undivided profits of $8,524,750; and reserves of $15,598,709).

(See Federal Home Loan Bank Administration; Home Loan Bank Act.)

FEDERAL HOUSING ACT

See National Housing Act.

FEDERAL HOUSING ADMINISTRATION

See Housing Administration.

FEDERAL INTERMEDIATE CREDIT BANKS

See Intermediate Credit Banks, Farm Credit Act of 1933.

FEDERAL LAND BANKS

The Federal Land Banks since 1933 have been under the supervision of the Farm Credit Administration, which in turn since 1939 has been part of the U. S. Department of Agriculture. Each Farm Credit District contains a Federal Land Bank, serving its national farm loan associations, as well as other agricultural credit institutions (see Farm Credit Administration).

The 12 Federal land banks were organized March and April 1917 under the Federal Farm Loan Act, with a capital of $750,000 each, or a total of $9,000,000. The greater part of this capital, or $8,892,130, was subscribed by the Federal Government. As required by law, the original capital subscribed by the Government has been entirely retired out of the proceeds of stock subscriptions by borrowers, either through national farm loan associations, or more rarely, agencies, or direct borrowers. Under an amendment to the Federal Farm Loan Act approved January 23, 1932, the Secretary of the Treasury on behalf of the United States subscribed for $125,000,000 of additional capital stock in the 12 banks. This additional capital was to be paid off at par and retired in the same manner as the original capital stock of the banks. However, the stock subscribed by the Government under this amendment could at any time, in the discretion of the directors and with the approval of the Land Bank Commissioner, be retired in whole or in part; and the Farm Credit Administration could at any time require such stock to be retired in whole or in part if in its opinion the bank had resources available for that purpose. All of this additional capital stock has also been retired, so that the Government now has no stock interest in the Federal Land Banks.

The $125,000,000 appropriated in 1932 to enable the Secretary of the Treasury to pay for stock issued to the Government, discussed above, included $25,000,000 to be used exclusively for the purpose of supplying any bank funds to use in its operations in place of any amounts of which the bank might be deprived by reason of extensions granted to borrowers under the terms of the Farm Loan Act, as amended. In addition, the Emergency Farm Mortgage Act of 1933, approved May 12, provided that in the case of any such extension made during a 5-year period beginning May 12, 1933, or in the case of any deferment of principal payments by borrowers during a 5-year period beginning July 11,1933, it should be the duty of the Secretary of the Treasury, on behalf of the United States, upon the request of the Federal land bank making the extension and with the approval of the Land Bank Commissioner, to subscribe at such periods as the Commissioner shall determine to the paid-in surplus of such bank an amount equal to the amount of all such extensions and deferments made by the bank. Such subscriptions were subject to call, in whole or in part, by the bank with the approval of the Commissioner upon 30 days' notice, and could be repaid, in whole or in part, at any time in the discretion of the bank and with the approval of the Land Bank Commissioner. The Commissioner could at any time, however, require such subscriptions to be repaid, in whole or in part, if in his opinion the bank had resources available therefor.

The authority to obtain such paid-in surplus on account of extensions granted has not been exercised since December, 1943. In the period June 19, 1934-May 14, 1937, a total of $189 million was paid in to surplus by the Secretary of the Treasury, all of which has since been repaid by the banks.

Management.—Each Federal Land Bank is managed by a board of seven directors, the Farm Credit Board in each district being ex officio the board of directors for the Federal Land Bank in the district. Three of the directors are local directors, one of whom is chosen by the national farm loan associations and borrowers through agencies, if any, of the Federal Land Banks; one is chosen by the Production Credit Associations in the district; and one is chosen by borrowers from the Bank for Cooperatives of the district. Three of the directors are district directors, of whom two are appointed by the Governor of the Farm Credit Administration. The third district director is appointed by the Governor of the Farm Credit Administration from the three persons having the greatest number of votes in nominations made by the national farm loan associations and borrowers through agencies, if any, in the district. The seventh director, termed the director at large, is appointed by the Governor of the Farm Credit Administration. The officers of each Federal Land Bank are elected by the directors, and their compensation is subject to the approval of the Land Bank Commissioner.

Loans on amortization basis.—The Federal land banks are authorized to extend long-term mortgage credit to farmers upon the security of first mortgages on farm lands. The loans are made on an amortization basis with maturities of not less than 5 nor more than 40 years. Most of the loans have maturities ranging from 33 to 36 years, but many loans are written for shorter terms, such as 20 years or less.

The mortgages provide for annual or semiannual installment payments which include interest, and in addition an amount which is applied toward the reduction of the principal, the size of these installments depending, of course, on the term, the interest rate, and the amount of the loan. After the loan has run for 5 years, the borrower may make additional payments on the principal or pay off the loan in full on any interest date. It is generally possible to make arrangements whereby the banks grant the privilege of prepayment before the expiration of the 5-year period. Under the provisions of the Emergency Farm Mortgage Act of 1933, no payment on the principal portion of any installment on any loan could be required during the 5-year period commencing July 11, 1933, if the borrower should not be in default with respect to any other condition or covenant of his mortgage.

Endorsement of notes.—With certain exceptions, discussed in the following paragraph notes executed in favor of the Federal land banks are endorsed by national farm loan associations discussed below. Under their endorsements the associations become liable for the payment of the notes in case of default by the borrowers.

The Farm Loan Act permitted the making of loans through agents consisting of banks, trust companies, mortgage companies, and savings institutions in localities where national farm loan associations have not been and are not likely to be formed. Although no loans are now being closed through such agents, approximately $2,076,700 of the loans outstanding, all in the seventh district, were made under this provision of the law.

The Emergency Farm Mortgage Act of 1933, approved May 12, provided that whenever it shall appear to the Land Bank Commissioner that national farm loan associations have not been formed in any locality in the continental United States, or that the farmers residing in the territory covered by the charter of a national farm loan association are unable to apply to the Federal land bank of the district for loans on account of the inability of the bank to accept applications from such association, the Land Bank Commissioner shall authorize said bank to make direct loans to borrowers secured by first mortgages on farm lands situated within any such locality or territory. It was provided also that the rate of interest on such direct loans made at any time by any Federal land bank shall be one-half of 1 per cent. per annum in excess of the rate of interest charged to borrowers on mortgage loans made at such time by the bank through national farm loan associations. Each borrower who obtains a direct loan must subscribe for stock of the Federal land bank equal to 5 per cent. of his loan, which stock is held by the bank as collateral security for the loan. Borrowers obtaining direct loans may covenant in their mortgages to unite, under certain circumstances, with other such borrowers to form national farm loan associations.

National farm loan associations.—Most of the loans of the banks have been made through and with the endorsement of local associations of borrowers chartered under the Federal Farm Loan Act. These organizations, numbering 1,262 as of Dec. 31, 1947, are known as "national farm loan associations." Associations are under the general supervision of the Farm Credit Administration. All stockholders in an association must be borrowers from a Federal land bank, each borrower subscribing 5 per cent. of his loan in stock of the association. The stockholders are individually responsible, equally and ratably and not one for another, for all contracts, debts, and engagements of such association entered into prior to June 17, 1933, to the extent of the amount of stock owned by them at the par value thereof,

in addition to the amount paid in and represented by their shares. The Farm Credit Act of 1933 provided that the shareholders of national farm loan associations shall not be held individually responsible for any contract, debt, or engagement of such association entered into after June 16, 1933. The income of the association consists of authorized charges collected from borrowers and applicants for loans, charges in connection with the transfer of mortgages and stock interests of borrowers, earnings received from invested reserves or other association-owned property, and dividends received by the association on its stock in the Federal land bank. The expenses consist primarily of the costs of making appraisals of farms of applicants and compensation to its secretary-treasurer, who is the active officer.

When the borrower subscribes to stock in the association the stock is held by the association as collateral security for the loan. The association in turn subscribes to an equal amount of stock in the Federal land bank which is held by the bank as collateral security for the loans closed through the association. When the borrower pays his loan in full, the bank retires its stock which was subscribed for by the association at the time the loan was made. If the association has met its obligations currently, the bank remits the proceeds of this stock to the association in cash. In such case, the borrower's stock in the association is retired and the proceeds thereof paid to him or credited on his indebtedness, if any, to the association. If, on the other hand, the association has not met its obligations currently, it may be necessary for the bank to withhold all or a portion of the proceeds of its stock and apply such proceeds as a credit on the association's indebtedness. In turn, it may be necessary for the association to defer payment to the borrower for his stock until it has met its obligations, and has funds available which may be used for retiring stock.

Appraisals.—When an application for a loan is received by a bank, it is referred, in proper cases, to a land bank appraiser, who is under the supervision of the Land Bank Commissioner, and who makes an inspection of the property and submits a written report thereon. The appraiser is a public offocial and not an employee of the bank. In the case of loans made through national farm loan associations, the application is received first by the association and its loan committee makes an investigation and reports as to the character and solvency of the applicant and the sufficiency of the security offered. The application then is forwarded to the bank with the association's recommendation.

Limits on loans.—A bank is not permitted to make a loan through a national farm loan association unless the loan committee of the association is unanimous in its approval and, in the case of either loans through associations or direct loans, unless the bank appraiser's report upon the security is favorable. Loans may not be made in excess of 65% of the appraised normal value of the farm mortgaged as security. Appraisals are made on the basis of the normal value of the property for agricultural purposes and the earning power of the land is a principal factor. To be acceptable security for a loan, a property must meet each of the following minimum standards: (1) it must be capable of producing, under typical operation, sufficient normal agricultural earnings to pay farm operating expenses, including taxes and other fixed charges, maintain the property,and meet installments on a loan that would be proper to a typical owner of the property; (2) it must be sufficiently desirable to be readily salable or rentable under normal agricultural conditions; (3) it must be sufficiently durable to maintain satisfactory production during the loan term specified; and (4) it must have sufficient stability of value to assure that, on a loan that would be proper to a typical owner of the property, the bank could recover its investment if unforeseen difficulties should result in acquirement of the property. While the normal agricultural earnings must be sufficient to meet the expenses specified in requirement 1, it is not necessary that they also be adequate in all cases to meet family living expenses. When it is necessary to rely on income other than farm earnings for family living expenses, such supplemental income must be available to the applicant and to a typical owner from dependable sources and in an amount sufficient to support customary living standards.

Loans may not be made to any one borrower in an amount exceeding $50,000, and loans to any one borrower may not exceed $25,000 unless approved by the Land Bank Commissioner. Loans may be made to any person who is engaged, or is shortly to become engaged, in farming operations or to any person the principal part of whose income is derived from farming operations.

The Federal land banks handle the Land Bank Commissioner loans as agents of the Land Bank Commissioner. Commissioner loans are often made jointly with land bank loans, and in such instances the land bank loan is made on first-mortgage security and the Commissioner's loan is secured by a second mortgage.

Purposes of loans.—The banks may make loans only for purposes specified in the law — briefly: to purchase farm land; to purchase equipment, fertilizer, and live-stock for the mortgaged farm; to provide buildings and improvements for the farm lands; to liquidate indebtedness incurred for agricultural purposes or incurred at least two years prior to the date of application for the loan; and to provide the owner of the land mortgaged with funds for general agricultural purposes.

Loans outstanding.—As of Dec. 31, 1947, there were outstanding a total of 315,573 Federal land bank loans with total unmatured principal of $869,425,448, of which $835,709,520 were classified as not delinquent.

Interest rates.— The rate of interest on loans made in the continental United States through national farm loan associations may not, except with the approval of the Governor of the Farm Credit Administration, exceed by more than 1 per cent. per annum the interest rate borne by the last series of bonds issued by the bank. In no event, however, may more than 6 per cent. interest be charged on such loans. The rate of interest on any direct loans made in the continental United States must, as stated above, be one-half of 1 per cent. per annum in excess of the rate on loans made through national farm loan associations. From July, 1933 to April 1, 1935, the rate of interest expressed in new mortgages and credit instruments evidencing Federal land bank loans made in the continental United States through national farm loan associations was 5% per annum. On April 1, 1935, interest rate was reduced to 4 1/2%; on April 10, 1935, to 4 1/4%; and on June 24, 1935, to 4%. Since June 24, 1935, the contract rates of interest on loans closed by Federal land banks through national farm loan associations have been uniformly 4% per annum. Moreover, effective for all interest installments maturing on and after July 1, 1944, the 12 Federal Land Banks, by voluntary action on the part of the board of directors of each bank, reduced to 4% the contract rate of interest on

all outstanding mortgage loans that had been made through national farm loan associations prior to June 24, 1935. At the same time, voluntary reductions in interest rates were effected for those other classes of loans which by law are required to be made at slightly higher rates than rates on loans closed through national farm loan associations.

Handling of acquired real estate.—For the most part, foreclosures are conducted and title acquired by the banks rather than by the national farm loan associations The banks, however, are entering into agreements with associations which preserve the association's liability on its endorsement. This obviates, as far as possible, the necessity of taking deficiency judgments against associations in connection with defaulted loans, and credits the association's liability with the amount received from the liquidation of the loan. This procedure protects the interests of both banks and associations and permits the orderly handling and disposition of acquired real estate. The Farm Credit Act of 1933 gave the banks power to enter into agreements with the associations, under the terms of which losses incurred and gains realized on account of the disposition of lands covered by a defaulted mortgage endorsed by such association will be shared equally by the bank and the association.

Federal farm loan bonds.—For the purpose of obtaining funds with which to make loans, a Federal land bank may issue bonds in an amount not exceeding 20 times its capital and surplus. These bonds are lawful investment for fiduciary and trust funds under the jurisdiction of the United States Government and eligible for investment by savings banks in most States. They are acceptable also to the United States Treasury as security for Government deposits, including postal savings. The bonds and the income derived therefrom are exempt from state, municipal, and local taxation. However, interest on such bonds issued after the effective date of the Public Debt Act of 1941 is not exempt from taxation by the U. S. Government; and neither gain from the sale or other disposition of such bonds nor transfer of the bonds by inheritance, gift, etc., is exempt from Federal or state taxation.

Prior to 1933, bonds were issued individually by each Federal land bank. The last remaining issues of individual land bank bonds were called for payment in 1939, and the Federal land banks now have outstanding only consolidated farm loan bonds. Section 21 of the Federal Farm Loan Act provides that when any Federal land bank shall desire to participate in a consolidated issue of farm loan bonds, it shall make application to the Farm Credit Administration for the approval on its behalf of such issue and tender to the farm loan registrar approved farm mortgages, or obligations of the United States Government, as security therefor, and no bank shall participate in such consolidated issue until such application has been approved. Consolidated bonds shall bear a rate of interest not to exceed 5% per annum As of January 31, 1948, unmatured consolidated Federal farm loan bonds, including bonds on hand, were outstanding in the amount of $686,932,000, at interest rates ranging from 1 1/4% to 2 1/4%.

The 12 Federal land banks are jointly and severally liable for the payment when due of both interest on and principal of consolidated bonds. The first consolidated bonds were issued July 15, 1933.

The Emergency Farm Mortgage Act of 1933 authorized the Federal land banks to issue, during the two-year period beginning May 12, 1933, a new type of bond, the interest on which would be fully and unconditionally guaranteed by the United States. The law provided that not more than $2,000,000,000 of such bonds could be issued and that the rate of interest on the bonds should not exceed 4 per cent. per annum. The Federal Farm Mortgage Corporation Act, approved January 31, 1934, provided, however, that no bonds containing the interest guaranty should be issued after 90 days subsequent to the enactment of the act except for the purpose of refinancing any bond which is or has been issued subject to such guaranty of interest. As of December 31, 1947, the Federal Farm Mortgage Corporation had no outstanding bonded debt. No public offering has ever been made of farm loan bonds bearing a guaranty of interest by the Government. Except for the interest guaranty on the bonds above referred to, the Government has never assumed any liability for either principal of or interest on bonds issued by the Federal land banks.

Bond collateral held in trust.—Under the provisions of the Farm Loan Act, a bank before it may issue bonds must deposit with the farm loan registrar as collateral security, approved first mortgages on farm lands or obligations of the United States Government not less in their aggregate amount than the amount of bonds to be issued. The collateral for consolidated bonds must be held by the farm loan registrars separate and apart from the collateral held by them for any bonds issued individually by the Federal land banks.

(See Federal Land Bank Bonds, Federal Land Bank Districts, Federal Land Bank System.)

FEDERAL LAND BANK BONDS

See Federal Farm Loan Bonds.

FEDERAL LAND BANK DISTRICTS

The twelve districts into which the continental United States is divided and in which the operations of each of the twelve Federal Land banks are confined. The Federal Farm Loan Board (predecessor of the Farm Credit Administration) determined the boundaries of these districts, and in so doing, considered the character and development of the states entering into each district. The following factors were considered: total land area, area of land and farms, area of improved land and farms, number of farms mortgaged at that time, amount of outstanding mortgage indebtedness, value of farm lands and buildings, gross value of farm products, total population and total rural population.

The land bank district numbers, the names of the 12 banks, their locations, and the district which each serves are as follows:

1. Federal Land Bank of Springfield, Springfield, Mass.: Maine, New Hampshire, Vermont, Massachusetts, Rhode Island, Connecticut, New York, and New Jersey.
2. Federal Land Bank of Baltimore, Baltimore, Md.: Pennsylvania, Delaware, Maryland, District of Columbia, Virginia, West Virginia and Puerto Rico.
3. Federal Land Bank of Columbia, Columbia, S. C.: North Carolina, South Carolina, Georgia, and Florida.
4. Federal Land Bank of Louisville, Louisville, Ky.: Ohio, Indiana, Kentucky, and Tennessee.
5. Federal Land Bank of New Orleans, New Orleans, La.: Alabama, Mississippi, and Louisiana.

6. Federal Land Bank of St. Louis, St. Louis, Mo.: Illinois, Missouri, and Arkansas.
7. Federal Land Bank of St. Paul, St. Paul, Minn.: Michigan, Wisconsin, Minnesota, and North Dakota.
8. Federal Land Bank of Omaha, Omaha, Nebr.: Iowa, South Dakota, Nebraska, and Wyoming.
9. Federal Land Bank of Wichita, Wichita, Kans.: Kansas, Oklahoma, Colorado, and New Mexico.
10. Federal Land Bank of Houston, Houston, Tex.: Texas.
11. Federal Land Bank of Berkeley, Berkeley, Calif.: Arizona, Utah, Nevada, and California.
12. Federal Land Bank of Spokane, Spokane, Wash.: Montana, Idaho, Washington, and Oregon.

FEDERAL LAND BANK SYSTEM

See Federal Credit Administration, Federal Farm Loan System, Federal Farm Mortgage Corporation.

FEDERAL NATIONAL MORTGAGE ASSOCIATION

The Federal National Mortgage Association was originally organized on February 10, 1938 by the Reconstruction Finance Corporation with capital stock of $10,000,000, all owned by the RFC, and surplus of $1,000,000, as the National Mortgage Association of Washington. Name was changed to present title in April, 1938.

The association was organized under Title III of the National Housing Act, as amended, and its purpose was to assist in establishing and maintaining a market for mortgages on homes, including large size housing projects, insured by the Federal Housing Administrator, with the objective of encouraging loans by private lending institutions in the housing field. With the success of FHA insured mortgages, the demand upon the association to buy such mortgages in recent years has been light. As of June 30, 1947, the association reported a total of $4,961,981 FHA mortgages, as compared with cash of $8,785,534, U. S. Guaranteed obligations of $4,650, real estate acquired of $6,701, and total assets of $13,803,970. Net worth totaled $13,608,724 (capital stock, $10,000,000; surplus, $1,298,140; and reserves $2,310,584). Although authorized to borrow up to 20 times the amount of paid-in capital and surplus but in any event not over insured mortgages held, cash, and U. S. Government obligations held, the association has no outstanding debt.

(See Reconstruction Finance Corporation.)

FEDERAL OPEN MARKET COMMITTEE

See Open Market Committee.

FEDERAL POWER COMMISSION

Established in 1920 by the Federal Water Power Act, the Federal Power Commission for years supervised in a limited manner the production of hydro-electric power, its principal function being to license power developments on navigable streams and across Government lands. Production and transmission of electricity was very largely intrastate.

With the growth and development of large interstate utility systems, however, and the passage of the Public Utility Act of 1935, the Natural Gas Act of 1938, the Flood Control Act of 1938, and other legislation, the powers and duties of the Federal Power Commission have been greatly enlarged.

Under the Federal Power Act, as amended in 1935, the Commission has jurisdiction over water power projects on navigable waters of the United States, or affecting the interests of interstate or foreign commerce, or upon public lands; and also over the interstate transmission and sale of electric energy at wholesale and over the public utilities engaged in these activities. The Commission also has the power to license water power developments on streams subject to Federal jurisdiction or on public lands, to private, state or municipal agencies; and to recapture such licensed projects at the expiration of the license period upon the payment to the licensee of the net investment, not to exceed the fair value of the project.

The Commission does not have jurisdiction over rates in any but interstate business or licensed hydro-electric plants except where no State utility commission exists. With interstate business so important in recent decades, the rate regulation power of the Commission has assumed increased importance. Under the Federal Power Act, provision is made for the regulation by the Commission of rates charged by public utilities for electric power sold at wholesale in interstate commerce for resale as well as of the accounting systems of such utilities, interlocking directorates, and financial transactions, including mergers, consolidations and security issues. The Commission has exercised moderation in its policies and has declared its function to be to regulate not only in the public interest but also in the interest of the utilities affected. Rates of 6% and 6 1/2% have been granted as reasonable rates of return on investments, but rate bases of all organizations within the Commission's jurisdiction are being reviewed.

The Natural Gas Act of 1938 provided for the regulation by the Commission of the transportation of natural gas in interstate commerce, and of the sale in interstate commerce of natural gas for resale; and confers on the Commission jurisdiction over the companies engaged in such transportation and sale.

The Flood Control Act of 1938 and later similar legislation empowered the Commission to recommend to the Secretary of War the construction of facilities for development of hydro-electric power in flood control dams constructed by the War Department. Thus, through the medium of flood control, additional Government-owned hydro-electric capacity could be constructed.

(See Public Regulation, Public Utility Industry.)

FEDERAL PUBLIC HOUSING AUTHORITY

Under the Reorganization Plan No. 3 of the President of the United States, functions of the Federal Public Housing Authority were transferred July 27, 1947 to the Public Housing Administration. The Public Housing Administration in turn is a constituent operating agency of the Housing and Home Finance Agency, which also includes the Home Loan Bank Board and the Federal Housing Administration.

Principal peacetime activity of both the former Federal Public Housing Authority and of the successor Public Housing Administration is the low-rent and slum clearance program transferred from the old United States Housing Authority. The Public Housing Administration continues to administer the program of loans and annual contributions to local communities for the purpose of providing decent housing at rents which can be afforded by low-income families.

(See Public Housing Administration.)

FEDERAL REGULATION

See Public Regulation.

FEDERAL RESERVE ACT

The act which created the Federal Reserve System (q. v.), approved December 23, 1913, as amended subsequently. Most important amendments were contained in the Banking Act of 1935 (q. v.).

Present text of The Federal Reserve Act, as amended to November 1, 1946, with an Appendix containing provisions of certain other statutes affecting the Federal Reserve System, is obtainable from the Board of Governors of the Federal Reserve System.

(See Banking Act of 1933, Banking Act of 1935, Federal Reserve System, Pepper-McFadden Act, National Bank Act.)

FEDERAL RESERVE ADVISORY COUNCIL

A board, provided in the original Federal Reserve Act and continued since, which consists of twelve members elected annually by the board of directors of each of the twelve Federal Reserve banks. Its meetings are held at least four times a year at Washington, D. C., and oftener if the Board of Governors of the Federal Reserve System deems necessary, and in addition, other meetings in Washington, D. C. or elsewhere as it may deem necessary. The purpose of this body is to assist the Federal Reserve Board of Governors by making recommendations upon important matters before action is taken. Its functions are purely advisory and not mandatory. It has power to confer with the Federal Reserve Board of Governors on general business conditions, to make oral or written representation concerning matters within the jurisdiction of the Federal Reserve Board of Governors and to call for information and to make recommendations concerning discount rates, rediscount business, note issues, reserve conditions in the Federal Reserve districts, open market operations and generally, the affairs of the Federal Reserve System. The Council consists of bankers, and in addition to its advisory function, serves as a sounding board for banking opinion on policies and operations of the Federal Reserve System.

(See Federal Reserve Act, Sec. 12.)

FEDERAL RESERVE AGENT

The chairman of the board of directors of each Federal Reserve Bank, who is also designated as "Federal Reserve Agent" for the district in which the bank is located. He is one of the three Class C directors, all of whom are appointed by the Board of Governors of the Federal Reserve System, and is the official representative of the Federal Reserve Board of Governors with each Federal Reserve bank. His chief function as Federal Reserve Agent is to receive applications for the issue of Federal Reserve notes and to secure the approval of the Federal Reserve Board of Governors for their ultimate issue. The collateral for Federal Reserve notes is held under his custody and he is required to give bond to the Federal Reserve Board for the faithful performance of his duties. (See Secs. 4, 11 (i), 16 and 18 of Federal Reserve Act.)

FEDERAL RESERVE BANK

Any one of the twelve Federal Reserve Banks created under the Federal Reserve Act (q. v.) and operating in one of the twelve Federal Reserve Districts. Federal Reserve Banks are also known as "central," "reserve" and "regional" banks.

Section 4 of the Federal Reserve Act outlines the organization, corporate powers and directorate of the Federal Reserve Banks. The Banking Act of 1935 made an important organizational change. Under the original Act, the Board of Directors of the Federal Reserve Bank had the power to appoint "such officers and employees as are not otherwise provided for in this act, to define their duties, require bonds for them and fix the penalty thereof, and to dismiss at pleasure such officers or employees." The designation of "Governor", which Federal Reserve Banks adopted for their chief executive officer, was not provided for in the Act.

Under the Banking Act of 1935, and effective March 1, 1936, the Board of Directors of the Federal Reserve Bank have the power to appoint a president, vice-presidents, and such officers and employees as are not otherwise provided for in the Act, to define their duties, require bonds for them and fix the penalty thereof, and to dismiss at pleasure such officers or employees. The title "Governor" is reserved to members of the Board of Governors of the Federal Reserve System. The President of the Bank shall be the chief executive officer of the Bank and shall be appointed by the Board of Directors, with the approval of the Board of Governors of the Federal Reserve System, for a term of five years. The First Vice-President of the Bank shall be appointed in the same manner and for the same term as the President, and in the absence or disability of the President, or during a vacancy in the office of President, shall serve as chief executive officer of the Bank. No change was made in the number, classes or qualifications of the board of directors. (See Federal Reserve Cities, Federal Reserve Districts, Federal Reserve System.)

FEDERAL RESERVE BANK ACCOUNT

An account which every member bank and clearing member bank is required to maintain with the Federal Reserve bank of its district. This account represents the cash balance due from the Federal Reserve bank, and for member banks must be sufficient in amount to provide for the legal reserve against deposits.

FEDERAL RESERVE BANK COLLECTIONS ACCOUNT

An account appearing in the general ledger and financial statement of a bank which represents the amount of out-of-town checks sent for collection through the Federal Reserve Check Collection System (q. v.), in the process of collection and not yet available as reserve. It also represents the total of the balances in the Federal Reserve collection ledger in the transit department. When checks sent for collection in this manner become available, they are added to the Federal Reserve Bank Account and subtracted from the Federal Reserve Bank Collections Account.

FEDERAL RESERVE BANK EARNINGS

Federal Reserve Banks are not operated primarily for profit, the profit motive being secondary to the proper control of credit conditions and money rates. Division of earnings of Federal Reserve Banks is governed by Sec. 7 of the Federal Reserve Act. Under the original Act, Federal Reserve Banks were allowed to retain one-half of surplus earnings until surplus was built up of 50% of the paid-in capital. In 1919, this was amended to provide for retention of surplus earnings to build up surplus of 100% of the subscribed capital (which would be 200% of actually paid-in capital); once surplus reached that level, disposition of surplus earnings was to be 90% to the Government as a franchise tax and 10% to be retained in surplus.

The present provisions governing disposition of earnings were enacted by Section 4 of the Banking Act of 1933, approved June 16, 1933, which provided, effective July 1, 1932, that after all necessary expenses and 6% cumulative dividend on the paid-in capital stock, the net earnings shall all be retained in surplus of the Federal Reserve Banks. However, in connection with establishment of the Federal Deposit Insurance Corporation, each Federal Reserve Bank was required by the Banking Act of 1933 to pay one-half of its surplus on January 1, 1933, as subscription to the capital stock of the Federal Deposit Insurance Corporation. By the close of 1932, the Federal Reserve Banks had accumulated surplus of $278 million, compared with subscribed capital of $302 million. Subscriptions to the FDIC amounted to $139 million, therefore, and reduced surplus to $139 million, well below the capital subscribed. Thus, elimination of the franchise tax by the Banking Act of 1933 was designed to allow the Federal Reserve Banks to rebuild their surplus accounts, which in view of the lean earnings at the time, appeared to be a slow process. By the end of 1944, surplus accounts had been built up to less than 75% of subscribed capital.

For 1945 and 1946, open market operations of the System resulted in substantial additions to earning assets of the Federal Reserve Banks, principally in Government securities. By the close of 1946, surplus of Federal Reserve Banks totaled over $439 million, compared with subscribed capital of $373 million, and each Federal Reserve Bank reported surplus at least equal to subscribed capital. Surplus earnings for 1947 were estimated at $60 million. Accordingly, the Board of Governors of the Federal Reserve System decided to invoke the authority, under Section 16 of the Federal Reserve Act, to levy an interest charge on Federal Reserve Notes issued by the Federal Reserve Banks. This was the first time that this interest charge on Federal Reserve Notes had been invoked, which is levied on the amount of the outstanding Notes less the amount of gold certificates held by the Federal Reserve Agent as collateral security. The Board of Governors established such rates of interest as made it possible to pay to the Treasury approximately 90% of the net earnings after dividends of Federal Reserve Banks for 1947.

Invoking this authority to charge Federal Reserve Notes, the Board of Governors points out, has the same effect as the eliminated franchise tax. It is planned that the payments be made quarterly.

In addition, the Board of Governors proposed that Congress authorize the repayment of the $139 million of capital furnished by the Federal Reserve Banks to the Federal Deposit Insurance Corporation, into the Treasury rather than back to the Federal Reserve Banks, when the FDIC cancelled its capital stock. Accordingly, when Act of August 5, 1947 provided for payment and cancellation of the capital stock of the Federal Deposit Insurance Corporation, the portion of the capital stock subscribed by the Federal Reserve Banks was all paid to the Treasury, along with the Treasury's own original subscription.

Under Section 13b of the Federal Reserve Act, providing for direct loans to industry by Federal Reserve Banks, the Secretary of the Treasury was authorized on and after June 19, 1934 to contribute to Federal Reserve Banks an amount not to exceed their $139 million subscription to capital stock of the Federal Deposit Insurance Corporation. Repayment of such contributions was provided from all dividends and payments on liquidation on the FDIC capital stock, and if such proceeds did not annually amount to 2% of the contributions, the difference was to be made up by payment to the Treasury from earnings of the Federal Reserve Banks derived from the use of such contributions. Accordingly, in connection with repayment and cancellation of the entire FDIC capital stock, the Board of Governors recommended that Congress release to the Treasury general fund the approximately $139 million earmarked for payments to the Federal Reserve Banks under Section 13b of the Federal Reserve Act. Legislation was also introduced in Congress to repeal Section 13b and to substitute therefor authority for the Federal Reserve Banks, upon request of any commercial bank, to guarantee in part loans made by such commercial bank to business. For this purpose, the Federal Reserve Banks would rely on their own surplus, without resort to Government funds.

The tabulation on page 223 summarizes the earnings, expenses, net earnings, dividends and other disposition of surplus earnings of Federal Reserve Banks since 1914. (See Federal Reserve System.)

FEDERAL RESERVE BANK NOTES

Circulating notes issued by the various Federal Reserve Banks under approximately the same conditions for issuance of National Bank Notes by National Banks. Federal Reserve Bank Notes were expected to replace National Bank Notes eventually, but like National Bank Notes, are now in process of retirement. As of Feb. 29, 1948, $375 million of Federal Reserve Bank Notes were still outstanding, compared with $102 million in National Bank Notes. Federal Reserve Bank Notes continue as a liability of the issuing Federal Reserve Bank until the liability is eliminated by deposit with the Treasurer of the United States of lawful money for redemption.

Originally authorized in the Federal Reserve Act, Federal Reserve Bank Notes were issued in small amounts in 1916 and 1917, and later, in 1918-1920, about $250 million were issued in accordance with the Pittman Act (q. v.). Next large issuance occurred in the banking crisis of 1933, when it was feared that the shortage of collateral for Federal Reserve Notes might create an inadequate circulation. However, only about $200 million of Federal Reserve Bank Notes were actually issued, so that in 1942, in order to utilize the unissued stock of about $660 million of printed Federal Reserve Bank Notes, the Board of Governors authorized the Federal Reserve Banks to issue them concurrently with deposit credits to the Treasurer of the United States for equal amount, thus cancelling the liability of the Federal Reserve Banks for the issued Federal Reserve Bank Notes. (See National Bank Notes.)

FEDERAL RESERVE BANK STATEMENT

See Federal Reserve Statement.

FEDERAL RESERVE BANK STOCK

See Federal Reserve System.

FEDERAL RESERVE BOARD

The body upon whom the general supervision and coordination of the Federal Reserve System rests, designated since the Banking Act of 1935 as the Board of Governors of the Federal Reserve System.

In accordance with Section 10 of the Federal Reserve Act, as amended by the Banking Act of 1935, the Board of Governors consists of seven members, appointed by the President of the United States, with the advice and consent of the Senate, for a term of 14 years, so rotated

CURRENT EARNINGS, CURRENT EXPENSES, AND NET EARNINGS OF FEDERAL RESERVE BANKS AND DISPOSITION MADE OF NET EARNINGS, 1914-1947

(000 omitted	Current Earnings	Current Expenses	*Net Earnings	Dividends Paid	Transfers to Surplus		------- Paid to ----------	
					Sec. 7	Sec. 13b	Treas. Sec. 13b	U. S. Govt., Franchise Tax**
1914-15	2,173	2,321	−141	217	. . .	. . .	. . .	. . .
1916	5,218	2,274	2,751	1,743	. . .	. . .	. . .	. . .
1917	16,128	5,160	9,580	6,802	1,134	. . .	. . .	1,134
1918	67,584	10,960	52,716	5,541	48,334	. . .	. . .	. . .
1919	102,381	19,340	78,368	5,012	70,652	. . .	. . .	2,704
1920	181,297	28,258	149,295	5,654	82,916	. . .	. . .	60,724
1921	122,866	34,464	82,087	6,120	15,993	. . .	. . .	59,974
1922	50,499	29,559	16,498	6,307	−660	. . .	. . .	10,851
1923	50,709	29,764	12,711	6,553	2,546	. . .	. . .	3,613
1924	38,340	28,431	3,718	6,682	−3,078	. . .	. . .	114
1925	41,801	27,528	9,449	6,916	2,474	. . .	. . .	59
1926	47,600	27,350	16,612	7,239	8,464	. . .	. . .	818
1927	43,024	27,518	13,048	7,755	5,044	. . .	. . .	250
1928	64,053	26,905	32,122	8,458	21,079	. . .	. . .	2,585
1929	70,955	29,691	36,403	9,584	22,536	. . .	. . .	4,283
1930	36,424	28,343	7,988	10,269	−2,298	. . .	. . .	17
1931	29,701	27,041	2,972	10,030	−7,058	. . .	. . .	. . .
1932	50,019	26,291	22,314	9,282	11,021	. . .	. . .	2,011
1933	49,487	29,223	7,957	8,874	−917	. . .	. . .	. . .
1934	48,903	29,241	15,231	8,782	6,510	−60	. . .	. . .
1935	42,752	31,577	9,437	8,505	607	27	298	. . .
1936	37,901	29,874	8,512	7,830	353	103	227	. . .
1937	41,233	28,801	10,801	7,941	2,616	67	177	. . .
1938	36,261	28,912	9,582	8,019	1,862	−419	120	. . .
1939	38,501	28,647	12,243	8,110	4,534	−426	25	. . .
1940	43,538	29,165	25,860	8,215	17,617	−54	82	. . .
1941	41,380	32,963	9,138	8,430	571	−4	141	. . .
1942	52,663	38,624	12,470	8,669	3,554	50	198	. . .
1943	69,306	43,546	49,528	8,911	40,237	135	245	. . .
1944	104,392	49,176	58,438	9,500	48,410	201	327	. . .
1945	142,210	48,717	92,662	10,183	81,970	262	248	. . .
1946	150,385	57,235	92,524	10,962	81,467	28	67	. . .
1947	158,656	65,393	95,236	11,523	8,366	87	36	75,224(a)

Source--Annual Report of the Board of Governors of the Federal Reserve System.
*Current earnings less current expenses, plus other additions and less other deductions.
**The Banking Act of 1933 eliminated the provision in the Federal Reserve Act requiring payment of a franchise tax.
(a)Interest paid on Federal Reserve Notes.

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as to provide for the expiration of the term of not more than one member in any 2-year period. The Banking Act of 1935 eliminated the Comptroller of the Currency and the Secretary of the Treasury as ex-officio members. One of the members appointed shall be designated by the President as Chairman and one as Vice-Chairman of the Board, to serve as such for a term of 4 years. Since the Banking Act of 1935, each member of the Board shall not be eligible for reappointment after he shall have served a full term of 14 years. Not more than one of the members of the Board shall be selected from any one Federal Reserve District. In selecting the members of the Board, all of whom shall devote their entire time to the business of the Board, the President shall have due regard to a fair representation of the financial, agricultural, industrial, and commercial interests, and geographical divisions of the country.

To further insure the independence of the Board, no member may be an officer or director any banking institution, or hold stock in any such institution. Before entering into his duties as a member of the Board, each appointee must certify under oath that he has complied with this requirement. Members of the Board shall be ineligible during the time they are in office and for two years thereafter to hold any office, position or employment in any member bank, except that this restriction shall not apply to a member who has served the full term for which he was appointed.

The Banking Act of 1935 and the Securities Exchange Act of 1934 added greatly to the powers of the Board of Governors by centralizing control over securities and security loans, open market operations, rediscounts, reserves, foreign relations, and supervision of member banks. The organization of the Board consists of six divisions, as follows: (1) Legal Division; (2) Division of Examinations; (3) Division of Bank Operations; (4) Division of Research and Statistics; (5) Division of Administrative Services; and (6) Division of Personnel Admin-

istration. The Board sits at Washington, D. C., in its own headquarters building. Meetings are irregular, depending upon need for action. At meetings, the Chairman shall preside, and in his absence, the Vice-Chairman shall preside; in the absence of the Chairman and Vice-Chairman, the Board shall elect a member to act as Chairman pro tempore. The Board has the power to levy semi-annually upon the Federal Reserve Banks, in proportion to their capital stock and surplus, an assessment sufficient to pay its estimated expenses and the salaries of its members and employees. In addition to the express and direct powers granted to the Board by the Federal Reserve Act and other legislation, an important additional power is the authority to make regulations and rulings interpretative or administrative of its delegated authority.

(See Banking Act of 1935, Federal Reserve Board Regulations, Federal Reserve System.)

FEDERAL RESERVE BOARD REGULATIONS

The Federal Reserve Act empowers the Board of Governors of the Federal Reserve System to issue regulations from time to time to define the terms and conditions of operation under the Act, and to interpret the meaning of the various sections of the Act. Through this power to interpret the general provisions of the Act and issue regulations and rulings, the Board of Governors is vested with quasi-judicial as well as administrative functions, in addition to the specific and direct powers outlined in the Act. Rulings and regulations of the Board are of operating importance, since they are designed to clarify practice and establish uniformity of procedure.

In addition to rulings on specific questions handed down from time to time, the Board of Governors has published, amended and revised series of regulations for the information of Federal Reserve Banks, Federal Reserve Agents, and member banks, on various subjects. To date, Regulations "A" through "W", inclusive, have been issued, amended or revised.

Regulations of the Board of Governors of the Federal Reserve System, individually with amendments, may be obtained from the Board of Governors. Digest of Rulings (to October 1, 1937) is also available in book form, containing digests of Board rulings, opinions of the Attorney General and court decisions construing the Federal Reserve Act. In addition, the Federal Reserve Bulletin issued monthly contains in its law department administrative rulings and interpretations of banking laws, new regulations issued by the Board of Governors, and similar material.

Subject matter and the various series, amendments and revisions of Regulations "A" through "W" are shown below:

Regulation A

--Acceptance of Statements in Lieu of Certificates as to Character of Commercial Paper:
Series of 1915
--Rediscounts under Section 13:
Series of 1916
Series of 1917
Series of 1920
Series of 1922
--Discounts under Sections 13 and 13a:
Series of 1923
Series of 1924
Series of 1928
Amendment of 1928
Series of 1930
--Discounts for and Advances to Member Banks by Federal Reserve Banks:
Revised, effective October 1, 1937
Amendment, March 20, 1942
Amendment, September 18, 1942
Amendment, September 11, 1944

Regulation B

--Open Market Purchases:
Series of 1916
Series of 1917
Series of 1920
Series of 1921
Series of 1922
Series of 1923
Series of 1924
Series of 1928

Regulation C

--6 Months Agricultural Paper:
Series of 1915
--Acceptance by Member Banks of Drafts Drawn to Furnish Dollar Exchange:
Series of 1916
--Acceptance by Member Banks of Drafts and Bills of Exchange:
Series of 1917
Series of 1920
Series of 1923
Series of 1924
Series of 1928
Revised, effective August 31, 1946

Regulation D

--Time Deposits and Savings Accounts:
Series of 1916
Series of 1917
Series of 1920
Series of 1923
--Reserves of Member Banks:
Series of 1924
Series of 1928
Amendment of 1930
Revised, effective January 1, 1936
Supplement of August 15, 1936
Supplement of January 30, 1937
Supplement of April 16, 1938
Supplement of November 1, 1941
Amendment of February 21, 1942
Amended and Republished, effective July 14, 1942
Amendment to Supplement, August 20,1942
Amendment to Supplement, October 3,1942
Amendment of April 13, 1943
Amendment of August 1, 1945
Amendment to Supplement, February 27, 1948

Regulation E

--Time Deposits and Savings Accounts:
Series of 1915
--Purchase of Warrants:
Series of 1916
Series of 1917
Series of 1920
Series of 1923
Series of 1924
Series of 1928

Regulation F

--Purchase of Warrants:
Series of 1915

--Trust Powers of National Banks:
Series of 1916
Series of 1917
Amendment of 1917
Series of 1920
Series of 1923
Series of 1924
Series of 1928
Series of 1930
Revised, effective June 1, 1936
Amendments of December 31, 1937
Amendment of November 20, 1939
Amendment of June 1, 1940
Amendment of September 1, 1945

Regulation G
--Loans on Farm Land and Other Real Estate:
Series of 1916
Series of 1917
Series of 1920
Series of 1923
Series of 1924
--Rediscount of Notes Secured by Adjusted Service Certificates:
Series of 1928
Series of 1931
Series of 1932
Repealed, April 6, 1939
--Collection of Non-Cash Items:
Effective February 1, 1940

Regulation H
--National Banks as Executors and Trustees:
Series of 1915
--Membership of State Banks and Trust Companies:
Series of 1916
Series of 1917
Series of 1920
Series of 1923
Series of 1924
Series of 1928
Amendment of 1930
Revised, effective November 20, 1939
--Membership of State Banking Institutions in the Federal Reserve System:
Revised, effective January 1, 1936

Regulation I
--Loans on Farm Lands:
Series of 1915
--Increase and Decrease of Capital Stock of Federal Reserve Banks:
Series of 1916
Series of 1917
--Increase or Decrease of Capital Stock of Federal Reserve Banks and Cancellation of Old and Issue of New Stock Certificates:
Series of 1920
Series of 1923
Series of 1924
Series of 1928
Amendment of 1930
Revised, effective January 1, 1936

Regulation J
--Bankers Acceptances:
Series of 1915
--Check Clearing and Collection:
Series of 1916
Series of 1917
Series of 1920
Series of 1923
Series of 1924
Series of 1928
Amendment of 1929
Series of 1930
Revised, effective September 1, 1939

Regulation K
--Acceptances by Member Banks:
Series of 1915
--Banking Corporations Authorized to do Foreign Banking Business under the Terms of Section 25 (a) of the Federal Reserve Act:
Series of 1920
Series of 1920 (second issue)
Series of 1923
Series of 1924
Series of 1927
Series of 1928
Amendment of 1930
Amendment of September 1, 1937
Amendment of November 1, 1943

Regulation L
--Clearings Between Federal Reserve Banks:
Series of 1915
--Interlocking Bank Directorates under the Clayton Act:
Series of 1920
Series of 1923
Series of 1924
Series of 1928
Series of 1928 (second series)
Amendment of 1930
Series of 1933
Revised, effective January 4, 1936
Amendment of November 7, 1938
Amendment of February 1, 1939
Amendment of August 1, 1939
Amendment of February 1, 1940

Regulation M
--Membership of State Banks:
Series of 1915
--Rediscount of Notes Secured by Adjusted Service Certificates:
Series of 1926
--Open Market Operations:
Series of 1933
--Foreign Branches of National Banks and of Corporations Organized under the Provisions of Section 25 (a) of the Federal Reserve Act:
Effective August 14, 1937

Regulation N
--Increase of Capital Stock of Federal Reserve Banks:
Series of 1915
--Relations with Foreign Banks and Bankers:
Series of 1933
Revised, effective January 1, 1944

Regulation O
--Issue and Redemption of Federal Reserve Notes:
Series of 1915
--Loans to Executive Officers of Member Banks:
Effective January 1, 1936
Amendment of July 1, 1939

Regulation P
--Trade Acceptances:
Series of 1915
--Holding Company Affiliates--Voting Permits:
Series of 1933
Revised, effective January 1, 1936

Regulation Q
--Commodity Paper:
Series of 1915
--Payment of Interest on Deposits:
Series of 1933
Series of 1935
Revised, effective January 1, 1936

Regulation R
--Bankers Acceptances:
Series of 1915
--Relationships with Dealers in Securities under Section 32 of the Banking Act of 1933:
Series of 1933
Revised, effective January 4, 1936

Regulation S
--Open Market Purchase of Bankers Acceptances:
Series of 1915
--Discounts, Purchases, Loans and Commitments by Federal Reserve Banks to Provide Working Capital for Established Industrial or Commercial Businesses:
Series of 1934
Revised, effective April 30, 1942

Regulation T
--General Open Market Operations:
Series of 1915
--Extension and Maintenance of Credit by Brokers, Dealers and Members of National Securities Exchanges:
Series of 1934
Amendments Nos. 1, 2, 3 and 4, 1935
Amendment No. 5, 1935
Amendment No. 6, 1935
Amendment No. 7, 1936
Supplement of February 1, 1936
Supplement of April 1, 1936
Amendment No. 8, 1936
Amendment No. 9, 1937
Revised, effective January 1, 1938
Amendment No. 1, March 21, 1938
Amendment No. 2, May 22, 1939
Amendment No. 3, July 24, 1943
Amendment to Supplement, February 5, 1945
Amendment No. 4, July 5, 1945
Amendment No. 5, January 21, 1946
Amendment to Supplement, January 21, 1946
Amendment No. 6, December 1, 1946
Supplement of February 1, 1947
Amendment No. 7, April 1, 1948

Regulation U
--Loans by Bankers for the Purpose of Purchasing or Carrying Stocks Registered on a National Securities Exchange:
Effective May 1, 1936
Supplement of May 1, 1936
Amendments Nos. 1 and 2, 1936
Amendment No. 3, 1937
Amendment No. 4, February 17, 1941
Amendment to Supplement, February 5, 1945
Amendment No. 5, July 5, 1945
Amendment No. 6, January 21, 1946
Amendment to Supplement, January 21, 1946
Amendment No. 7, December 1, 1946
Supplement of February 1, 1947
Amendment No. 8, April 1, 1948

Regulation V
--War Financing:
Effective April 6, 1942
Revised, effective September 11, 1944

Regulation W
--Consumer Credit:
Effective September 1, 1941
Amendment No. 1, September 20, 1941
Amendment No. 2, December 1, 1941
Amendment No. 3, March 23, 1942
Amendment No. 4, May 6, 1942
Amendment No. 5, July 2, 1942
Amendment No. 6, July 27, 1942
Amendment No. 7, July 27, 1942
Amendment No. 8, August 12, 1942
Amendment No. 9, October 26, 1942
Amendment No. 10, September 1, 1943
Amendment No. 11, April 3, 1944
Amendment No. 12, July 10, 1944
Amendment No. 13, June 22, 1944
Amendment No. 14, November 6, 1944
Amendment No. 15, February 5, 1945
Amendment No. 16, June 11, 1945
Amendment No. 17, July 27, 1945
Amendment No. 18, October 15, 1945
Amendment No. 19, December 1, 1945
Amendment No. 20, July 5, 1946
Amendment No. 21, September 3, 1946
Revised, effective December 1, 1946

Regulation of Federal Open Market Committee
--Open Market Operations:
Effective March 19, 1936

FEDERAL RESERVE BOARD SETTLEMENT

Settlement of balances arising among Federal Reserve banks as a result of inter-district collections. (See Gold Settlement Fund.)

FEDERAL RESERVE BRANCH BANKS

Banks operating as branches of a Federal Reserve bank. The Federal Reserve Act authorizes Federal Reserve banks to establish branches without limit as to number under regulations approved by the Federal Reserve Board of Governors, but each branch must be within the boundaries of the Federal Reserve district of the Reserve bank which establishes it. At the date of this publication twenty-four branches had been established.

For the boundaries of the Federal Reserve districts and the areas served by the branch banks, see map under Federal Reserve Districts.

LOCATION OF BRANCH FEDERAL RESERVE BANKS

District	Branches
1st District, Boston	None
2nd District, New York	Buffalo
3rd District, Philadelphia	None
4th District, Cleveland	Cincinnati, Pittsburgh
5th District, Richmond	Baltimore, Charlotte
6th District, Atlanta	Birmingham, Nashville, Jacksonville, New Orleans
7th District, Chicago	Detroit
8th District, St. Louis	Louisville, Memphis, Little Rock
9th District, Minneapolis	Helena

District	Branches
10th District, Kansas City	Denver, Oklahoma City, Omaha
11th District, Dallas	Houston, El Paso, San Antonio
12th District, San Francisco	Seattle, Portland, Salt Lake City, Los Angeles

FEDERAL RESERVE BULLETIN

The only official organ or periodical issued by the Federal Reserve Board of Governors, being its medium of communication with member banks of the Federal Reserve System. It is issued monthly under the direction of the staff editorial committee, and sent to each member bank without charge. Copies are distributed to the public on a subscription basis.

FEDERAL RESERVE CHECK COLLECTION SYSTEM

The Federal Reserve Act authorizes the Federal Reserve Board of Governors to require each Federal Reserve bank to "exercise the functions of a clearing house for its member banks." Although the Federal Reserve System began operations in 1914, the check collection system was not established until July, 1916.

The purpose of the Federal Reserve check collection system was to correct the defects of the methods previously employed, and particularly the following abuses: (1) circuitous routing of checks which grew out of the efforts of banks to avoid exchange charges, and which resulted in great delay in the presentation of items; (2) inquitable distribution of exchange charges between Eastern metropolitan banks and country banks, and (3) excessive exchange charges.

At the present time the Federal Reserve check collection system is efficiently organized, and through its instrumentality out-of-town items are passed directly, economically, and at par among members and clearing members, i. e., non-member banks on the Par List (q. v.). Consequently, the only banks which do not participate in this collection system are such non-member banks as are not on the par list.

Member banks and clearing non-member banks are required to receive at par checks drawn on and presented to them by Federal Reserve banks. In order that banks using the system may know which non-member banks are members of the clearing system, the Federal Reserve Board publishes a semi-annual list with a monthly supplement containing the names of all the banks which are members and clearing members. Member banks are not required to remit for checks forwarded to them, but instead may agree to allow the sending Federal Reserve bank to charge their accounts. Non-member banks which remit must send a check which the sending Federal Reserve bank can pass at par through the clearing house of the city in which it is located.

Member banks are not required to employ the Federal Reserve check collection system. They may forward their out-of-town items directly through correspondents, irrespective of their membership in the system, but it is stipulated by the rules of the New York and other clearing houses that if the correspondents are in the system, checks drawn on them cannot be collected under any other terms than those prescribed by the rules governing Federal Reserve collections as regards exchange and time outstanding.

When a member bank deposits checks with a Federal Reserve bank to be collected from another member or clearing member, the sending bank is immediately credited in the collection or "float" account of the Federal Reserve bank. That is to say, the amount of the checks so sent does not become available as reserve until the checks have been collected. The time for collecting these items, however, may be predetermined by consulting the "schedule showing when the proceeds of items become available," in which the United States is divided in time zones, all points within such zones requiring the indicated number of days for collection.

For example, a check which is deposited by a bank in New York City with the New York Federal Reserve bank, and drawn upon a member bank in Poughkeepsie, N. Y., does not become available in the reserve account of the depositing bank until two business days have elapsed. One day is required to forward the check to the drawee bank in Poughkeepsie, and another for the Poughkeepsie bank to remit to the Federal Reserve bank of New York.

(See Federal Reserve Board Regulations under Regulation J, Federal Reserve Inter-District Collection System, Federal Reserve System, Gold Settlement Fund.)

FEDERAL RESERVE CIRCULATION

See under Federal Reserve Notes.

FEDERAL RESERVE CITIES

The cities in which the twelve Federal Reserve banks are located. Each Federal Reserve bank has a number corresponding to the district in which it operates. The twelve Federal Reserve cities, together with the districts in which they are located, are:

1. Boston
2. New York
3. Philadelphia
4. Cleveland
5. Richmond
6. Atlanta
7. Chicago
8. St. Louis
9. Minneapolis
10. Kansas City
11. Dallas
12. San Francisco

(See Federal Reserve Branch Banks, Federal Reserve Districts.)

FEDERAL RESERVE CREDIT

Total volume of Federal Reserve credit outstanding is the "supply" which the Federal Reserve Banks have contributed to member bank reserves, and consists principally of earning assets of the Federal Reserve Banks: (1) bills discounted; (2) bills bought; (3) holdings of U. S. Government securities; and (4) all other Reserve Bank credit. Included in the miscellaneous forms of Reserve Bank credit are industrial advances under Section 13b of the Federal Reserve Act; funds held on deposit with foreign banks; security holdings other than Government securities, such as Federal intermediate credit bank debentures and municipal warrants, etc.; and Federal Reserve Bank "float", or transit items credited to accounts of member banks prior to charge upon actual collection.

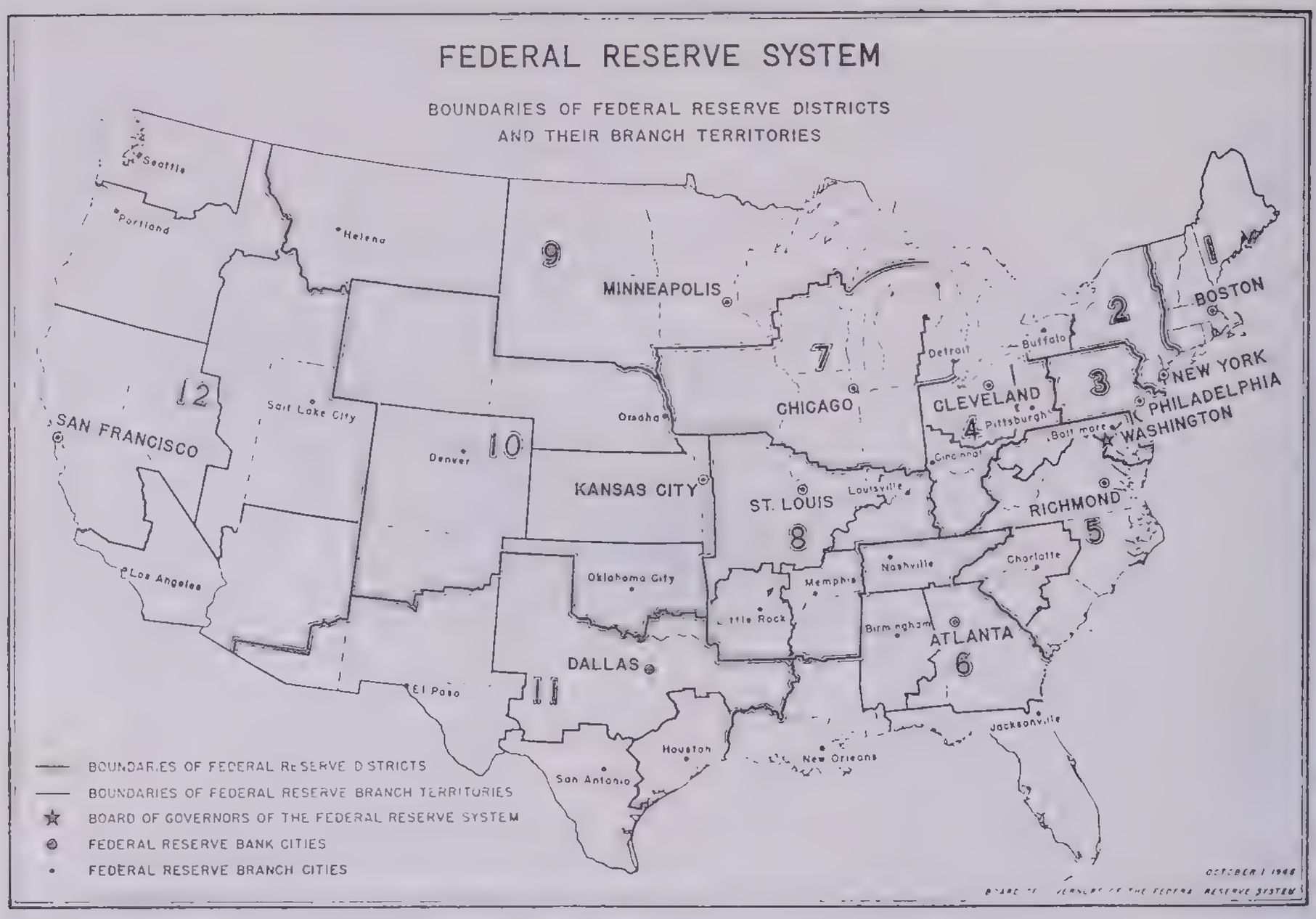
Federal Reserve credit is one of the factors which add to member bank reserves if increased and decrease member bank reserves if decreased. For fuller discussion of the factors affecting Supply and Use of Member Bank Reserve Funds, see Excess Reserves.

FEDERAL RESERVE DISTRICTS

The boundaries of the twelve Federal Reserve districts and the location of the Federal Reserve banks and branch banks are shown on the map on page 228.

FEDERAL RESERVE INTER-DISTRICT COLLECTION SYSTEM

Out-of-town items may be collected within the same



or in another Federal Reserve district. The former are known as intra-district collections; the latter, as inter-district collections. In inter-district collections, inter-Federal Reserve bank accounting is involved. For example, suppose a member bank in New York City sends checks to the Federal Reserve bank of New York drawn upon a bank in Chicago. The New York Federal Reserve bank forwards them to the Chicago Federal Reserve bank, which collects them through the Chicago clearing house. When collection is made in Chicago, the credit belonging to the depositing member bank in New York is first placed upon the books of the Federal Reserve bank in Chicago, but in favor of the New York Federal Reserve bank. That is to say, this credit is merely one of many credits belonging to the New York Federal Reserve bank. Conversely, the Chicago Federal Reserve bank, having sent checks to the New York Federal Reserve bank, is entitled to certain credits.

Settlement for collections arising among the various Federal Reserve banks is arranged by the Federal Reserve Board of Governors at Washington which acts as clearing house manager through the operation of the Interdistrict Settlement Fund (q. v.).

Federal Reserve banks eliminate the shipment of large sums of currency by clearing daily with one another by means of a private wire system connecting the Board with each of the banks. This makes is possible to give "availability" to items on the day they are paid. Clearing involves only a change of ownership of balances by book entries, i. e., debits and credits to the inter-district settlement fund. Thus, inter-district collections are effected with dispatch, and out-of-town items cleared through the Federal Reserve System become available almost as soon as presented to the paying bank. (See Federal Reserve Check Collection System, Federal Reserve System.)

FEDERAL RESERVE NOTES

Circulating notes issued by the Federal Reserve Banks. At present, they furnish about 85% of the circulating medium of the country; represent the only form of Elastic Currency (q. v.); and are authorized by Section 16 of the Federal Reserve Act.

Any Federal Reserve Bank may make application to the local Federal Reserve Agent for such amount of Federal Reserve Notes as it may require to meet the demands of member banks for currency. Application is accompanied with tender to the Federal Reserve Agent of collateral in an amount equal to the sum of the Federal Reserve Notes applied for. The collateral security thus offered shall consist of the following:

1. Notes, drafts, bills of exchange, or acceptances acquired under the provisions of Section 13 of the Act, the rediscount provisions of the Act;
2. Bills of exchange indorsed by a member bank of any Federal Reserve district and purchased by a Federal Reserve Bank under the provisions of Section 14 of the Act, the open market operations section of the Act;
3. Gold certificates;
4. In addition, beginning in 1932, direct obligations of the United States. At first, use of U. S. Government securities as collateral was for one year, but later was periodically renewed for additional periods.

The Federal Reserve Agent shall each day notify the Board of Governors of the Federal Reserve System of all issues and withdrawals of Federal Reserve Notes of the Federal Reserve Bank to which he is accredited. The Board of Governors may at any time call upon a Federal Reserve Bank for additional security to protect the Federal Reserve Notes issued to it. As of February 25, 1948, accounts of the Federal Reserve Agents indicated that total Federal Reserve Notes outstanding were $24,957,859,000, secured as follows: (1) $12,499,000,000 in gold certificates; (2) $62,355,000 in eligible paper; and (3) $13,600,000,000 in U. S. Government securities.

In addition to the collateral coverage, every Federal Reserve Bank is required to maintain reserves in gold

certificates or lawful money of not less than 35% against deposits, and reserves in gold certificates of not less than 40% against Federal Reserve Notes in actual circulation. However, when the Federal Reserve Agent holds gold certificates as collateral for Federal Reserve Notes issued to the bank, these gold certificates are counted as part of the reserve against the Federal Reserve Notes in circulation.

Moreover, the Board of Governors shall require each Federal Reserve Bank to maintain on deposit in the Treasury of the United States a sum in gold certificates sufficient in the judgment of the Secretary of the Treasury for the redemption of Federal Reserve Notes issued to each Federal Reserve Bank. In no event is this redemption fund to be less than 5% of the total amount of the Notes issued less the amount of gold certificates held by the Federal Reserve Agent as collateral security. This redemption fund shall be counted as part of the 40% gold certificate reserve.

Any Federal Reserve Bank may retire any of its Federal Reserve Notes by depositing them with the Federal Reserve Agent or with the Treasurer of the United States and thus receive back the collateral deposited. Also, any Federal Reserve Bank may at any time reduce its liability for outstanding Federal Reserve Notes by depositing with the Federal Reserve Agent its Federal Reserve Notes, gold certificates, or lawful money of the United States. In addition, any Federal Reserve Bank may at its discretion substitute other collateral of equal amount with the approval of the Federal Reserve Agent.

In addition to being secured by the direct pledge of assets, Federal Reserve Notes are a direct obligation of the issuing Federal Reserve Bank, and represent a first lien on all the assets of the bank. They are also a direct obligation of the United States Government. Federal Reserve Notes are legal tender for all public and private debts.

Denominations authorized in the Federal Reserve Act are $5, $10, $20, $50, $100, $500, $1,000, $5000, and $10,000. Notes bear upon their face a distinctive letter and serial number assigned by the Board of Governors to each Federal Reserve Bank. In June, 1946, the Board of Governors sent a letter to all Federal Reserve Banks directing that no further printing of Federal Reserve Notes in denominations of $500 and above be requested, since such higher denominations were not needed for hand to hand circulation and instead were conducive to undesirable uses, such as black market operations and other illegal purposes, including the evasion of income and other taxes.

The original Federal Reserve Act contemplated that Federal Reserve Notes be 100% secured by eligible paper, thus making them the ideal "elastic currency", expanding and contracting with the supply of eligible paper, although the Act did permit Reserve Banks to reduce their liability for Federal Reserve Notes by depositing gold or lawful money with the Federal Reserve Agents. This ideal has been gradually relaxed since; in 1916, by authorizing bills bought in the open market as collateral; 1917, by authorizing gold, gold certificates, and member bank promissory notes as collateral; and beginning in 1932, by authorizing the use of U. S. Government securities as collateral. Nevertheless, the elastic character of Federal Reserve Note circulation is still characteristic, as volume of circulation depends upon demands of member banks for currency, and those demands in turn reflect demand from the depositing public for currency.

Federal Reserve Notes should not be confused with Federal Reserve Bank Notes (q. v.).

See Money Circulation for long term fluctuation in total circulation of Federal Reserve Notes compared with other currency in circulation.

FEDERAL RESERVE RATIO

See Federal Reserve Statement, Reserve Ratio.

FEDERAL RESERVE REDISCOUNT RATE

See Rediscount, Rediscount Rate.

FEDERAL RESERVE STATEMENT

In accordance with Section 11 of the Federal Reserve Act, the Board of Governors of the Federal Reserve system shall publish once each week a statement showing the condition of each Federal Reserve Bank and a consolidated statement for all Federal Reserve Banks. These statements shall show in detail the assets and liabilities of the Federal Reserve Banks, single and combined, and shall furnish full information regarding the character of the money held as reserve and the amount, nature and maturities of the paper and other investments owned or held by Federal Reserve Banks.

Pursuant to this statutory requirement, the Board of Governors publish weekly the release, Condition of the Federal Reserve Banks, showing consolidated statement of condition of the 12 Federal Reserve Banks, and in addition statements of condition of each of the Federal Reserve Banks. These statements are also published monthly in the Federal Reserve Bulletin.

These statements show the important ratio of total reserves to deposit and Federal Reserve Note liabilities combined. The Federal Reserve Act requires that Federal Reserve Banks maintain reserves of gold certificates equal to at least 40% of their Federal Reserve Notes, and reserves of gold certificates or lawful money equal to at least 35% of deposits. The reserve position of Federal Reserve Banks has been amply in excess of legal requirements, and during only two periods--1920 and the banking crisis of 1933--did the reserve ratio come close to the legal requirements.

(See Federal Reserve System.)

FEDERAL RESERVE SYSTEM

The central banking system of the United States, created by the Federal Reserve Act (q. v.) approved December 23, 1913. It subsequently developed into one of the world's strongest banking systems, and combined eclectically the leading features of the principal European central banking systems, adapted to American requirements.

Membership. — The system consists of (1) twelve Federal Reserve banks and their branches (which may be established at home or abroad), (2) National banks, which are required to become stockholding members of the Federal Reserve bank of their district, and (3) such state banks and trust companies as may elect to join the system by meeting the qualifications of membership. As of March 31, 1948, there were 14,197 commercial banks in the United States, of which member banks totaled 6,932 banks.

Before the passage of the Federal Reserve Act, the banking system of the United States was composed of the three distinct groups of institutions above mentioned. National banks were instituted by the National Bank Act (q. v.) of 1863 and its subsequent amendments, while state banks and trust companies were organized and operated under the laws of the separate states, dating from

early American history. The Federal Reserve Act was not a negation of the National Bank Act, but rather a revision and elaboration of it.

Development. — The Federal Reserve Act grew out of the defects and insufficiencies of the former decentralized national-state system, especially in the following particulars:

1. No provision for elastic currency. Bank notes were rigid in amount, based upon the bonded debt of the United States rather than upon sound and liquid business paper. This inelastic currency system was a panic breeder. At critical times the banking system broke down because it was unable to furnish an adequate supply of money to meet the needs of legitimately expanding business.

2. No provision for rediscount facilities as a means of furnishing elastic credit, i. e., there was no certain market for the rediscount or sale of sound business paper.

3. Reserves were not centralized. Instead, the partial redeposit of reserves by country and reserve city banks at interest in central reserve city banks (particularly in New York City) made the reserve structure fictitious. They were not available when needed.

4. The system of collection of out-of-town checks was inefficient and uneconomical.

5. There was no rational control over the money market.

Steps toward removing these defects were actively begun as an aftermath of the panic of 1907, when public attention was again focussed on the problem of banking reform. Accordingly, in 1908, Congress created the National Monetary Commission (q. v.) to determine what modifications might be necessary to remove the weaknesses in existing banking legislation. After four years of investigation, this body reported its recommendations to Congress in full in a plan which later became known as the "Aldrich Plan." After undergoing numerous modifications and revisions, this report was finally submitted for the approval of Congress, and culminated in the Federal Reserve Act.

Ownership and Earnings. — The Federal Reserve banks are primarily banks for banks. Except as to open market operations, and direct loans to industry as provided in an amendment of June 19, 1934, their dealings are restricted to banks and with the Government. There are no individual stockholders. The stock is owned by member banks, which are required to subscribe to the stock of the Federal Reserve bank of their district in an amount euqal to 6 per cent. of the member bank's combined capital and surplus. Only one-half of this subscription, namely, 3 per cent., has been called up to the present time. The stock has a par value of $100, is of one class, cannot be transferred or hypothecated, and pays a fixed cumulative dividend at the rate of 6 per cent. So long as it is a member of the system, a member bank may retain the stock, and its holdings are automatically increased or diminished to correspond with any changes that may occur in its capital and surplus accounts.

After payment of all expenses, dividends constitute the claim against earnings. Federal Reserve Banks, including the capital stock and surplus therein and the income derived therefrom, are exempt from Federal, State, and local taxation except taxes on real estate. The former U. S. Government franchise tax on Federal Reserve bank earnings has been repealed (June 16. 1933).

Federal Reserve Board. — The administrative and coordinating body of the Federal Reserve System is the Federal Reserve Board (q. v.). Under the Banking Act of 1935 (q. v.) this body was reorganized as a 7-member board (originally 6 members), and styled "Board of Governors of the Federal Reserve System." Each member has the title of "governor," to serve 14-year terms at an annual salary of $15,000. Not more than four of seven shall be of the same political party. The President appoints the members with the advice and consent of the Senate, and selects out of the "governors" a chairman and vice-chairman.

This body, sitting at Washington, controls the Federal Reserve banks, and is endowed with broad powers, among the most important of which are: (1) to examine Federal Reserve banks and member banks as well as affiliates of state member banks (discretionary); (2) to make detailed reports of condition of the twelve Federal Reserve banks weekly (compulsory); (3) to add to, or to reclassify, reserve and central reserve cities; (4) to require the writing off of doubtful assets from the records of the Federal Reserve banks; (5) to suspend or remove any officer, director, or employee of the Federal Reserve banks with cause; (6) to suspend (for violation of any section of the Federal Reserve Act) any Federal Reserve bank, to operate it, and wherever necessary, to reorganize it; (7) to supervise, through the Comptroller of the Currency, the issue and retirement of Federal Reserve notes, and to prescribe regulations covering such issue and retirement; (8) to suspend reserve requirements for periods of 15 days (subject to renewal), and impose graduated taxes as penalties for deficiencies in reserve requirements; (9) to grant trust powers to National banks when not in contravention of state laws as well as authorize National banks to establish branches in foreign countries and U. S. possessions, and invest in stock of banks or corporations engaged in international or foreign banking; (10) to subject to review and determination the rates of discount set by the Federal Reserve Banks, which rates must be established by each Federal Reserve Bank every 14 days or oftener as deemed necessary by the Board of Governors; (11) to permit, or on affirmative vote of 5 members, to require Federal Reserve banks to rediscount paper for one another at rates approved by the Board; (12) to define and determine the kind of paper and securities eligible for rediscount; (13) to prescribe regulations under which member banks may borrow from Federal Reserve Banks; (14) to prescribe conditions for the admission of state banks and trust companies to membership in the Federal Reserve System and for withdrawal therefrom; (15) to maintain and operate the Interdistrict Settlement Fund.

Also, the following additional powers, some of which were added or expanded by the Banking Act of 1935:

(1) to prescribe rules and regulations for open market operations of Federal Reserve Banks. No Federal Reserve Bank shall engage or decline to engage in open market operations except in accordance with the directions and regulations of the Federal Open Market Committee, established effective March 1, 1936 and consisting of the members of the Board of Governors and five representatives of the Federal Reserve Banks.

(2) to fix at any time for each Federal Reserve district the percentage of individual bank capital and surplus which may be represented by a security loans.

(3) to direct any member bank to refrain from further increases in loans secured by stock and bond col-

lateral for any period up to one year, under penalty of suspension of all rediscount privileges.

(4) to suspend, in its discretion, after reasonable notice and opportunity for a hearing, any member bank from use of the credit facilities of the Federal Reserve System, when in the Board's judgment such member bank is making undue use of such credit.

(5) to declare immediately due and payable any advance by Federal Reserve Banks to member banks when that member bank after official warning from the Board or Federal Reserve Bank, increases its loans on stocks and bonds, or investments other than U. S. Government securities.

(6) to remove any officer or director of a member bank who continues to violate any law relating to such bank or continues unsafe and unsound practices in conducting the bank's business after warning by the Comptroller of the Currency or Federal Reserve Agent to discontinue such violations or practices.

(7) to supervise and regulate all relationships and transactions of Federal Reserve Banks with foreign bankers.

(8) to change reserves required to be maintained against demand or time deposits in order to prevent injurious credit expansion or contraction.

(9) to issue permits to holding company affiliates to vote the stock of member banks in the election of directors of the Federal Reserve Banks.

(10) to issue permits under authority of the Clayton Anti-Trust Act relating to interlocking bank directorates.

(11) to prescribe rules and regulations, under the Securities Exchange Act of 1934, with respect to the amount of credit that may be extended and maintained on any security registered on a national securities exchange.

(12) to issue regulations limiting the rate of interest which may be paid by member banks on time and savings deposits.

In sum, the Board is a dominant force in unifying the twelve regional banks into a comprehensive organization. This is secured by the specific powers granted to it, by direct contact with each bank established through a system of private wires, by its appointment of the Federal Reserve Agent at each bank, by acting as clearing-house manager for inter-district clearings, by reports from and examinations of these banks, and through its rulings on questions requiring an interpretation of the meaning of the Federal Reserve Act.

Federal Open-Market Committee. — Established effective March 1, 1936, the Federal Open-Market Committee consists of the members of the Board of Governors and five representatives of the Federal Reserve Banks elected annually by the following: one by the Federal Reserve Banks of Boston and New York; one by the Federal Reserve Banks of Philadelphia and Cleveland; one by the Federal Reserve Banks of Chicago and St. Louis; one by the Federal Reserve Banks of Richmond, Atlanta and Dallas; and one by the Federal Reserve Banks of Minneapolis, Kansas City and San Francisco. The Act specifies that no Federal Reserve Bank shall engage or decline to engage in open market operations except in accordance with the directions and regulations adopted by the Committee. The Committee in turn is governed by the principles stated in the Act that the time, character and volume of all purchases and sales of paper described in Section 14 of the Act as eligible for open market operations shall be governed with a view to accommodating commerce and business and with regard to their bearing upon the general credit situation of the country.

The Committee meets in Washington at least four times a year upon call of the Chairman of the Board of Governors or at the request of any three members of the Committee. The Board is required to keep a complete record of the actions taken by the Board and by the Committee relating to open market operations, recording the votes taken and the reasons for each action, and to publish this data in the Board's annual reports to Congress.

Federal Advisory Council. — The Federal Advisory Council (q. v.) is a body with consultative rather than mandatory powers. It is composed of twelve members, each representative of a separate Federal Reserve bank, and elected annually by its board of directors. The council meets four times a year at Washington for the purpose of assisting the Federal Reserve Board by conferring and advising, and making recommendations with regard to matters pertaining to business and financial conditions in their respective districts.

Federal Reserve Bank Organization. — Each Federal Reserve bank has its distinct organization, and serves its own district, whence it is sometimes known as a "regional" bank. The minimum capital for each bank is $4,000,000, but the majority of them have a capitalization considerably in excess of this amount.

Each Federal Reserve bank is under the direct control of a board of nine directors, divided into three classes of three directors each. These classes are known as Class A, Class B, and Class C. Class A and B directors are elected by the stockholding banks, and Class C directors are appointed by the Federal Reserve Board. Class A directors must be active and experienced bankers; Class B directors must not be bankers, but engaged in business or agriculture; and Class C directors are chosen from the public at large. One of the Class C directors, who must be of tested banking experience but not an officer, director, or employee of any bank during his term of office, is appointed to act as chairman of the board of directors.

The chairman is also given the title of Federal Reserve Agent, and is the official representative of the Federal Reserve Board at each Federal Reserve bank. The head of each Federal Reserve bank is known as President (formerly "governor").

Functions. — The functions of the Federal Reserve banks are:

1. The centralization and mobilization of bank reserves. Under the Federal Reserve System, the legal reserves of all member banks must be carried with the Federal Reserve banks of their districts. They are no longer scattered as "cash in vaults" at individual banks or in designated depositories. Being concentrated in twelve central reservoirs, these reserves furnish a base for extending a far greater volume of credit than was possible under the old system. Such reserves, moreover, are true reserves, i. e., are non-interest bearing and cannot be re-deposited, thus preventing their use as earning assets in speculative or other operations.

Reserve requirements of member banks against demand (which are subject to 100 per cent. increase) and time deposits are as follows:

	Demand	Time
In central reserve cities	13%	3%
In reserve cities	10%	3%
In other (indesignated) cities	7%	3%

These basic reserve requirements have been doubled by the Board of Governors for each category (as of mid-year 1948) thus exhausting this power to vary reserve requirements within the range of 100% of the basic requirements.

Federal Reserve banks themselves are required to keep a reserve in gold certificates or lawful money equal to 35 per cent. of their deposits. These reserves are effectively mobilized by being directed to where they are most needed by means of interdistrict discounting (see Naked Reserve), or by the sale of commercial paper eligible for open market operations in a comparatively "strong" district by a regional bank in a comparatively "weak" district.

2. To furnish an elastic currency and credit. Through rediscounting facilities, provision is made for an elastic bank-note and deposit currency. A member bank requiring additional funds may obtain them from its Federal Reserve bank by offering Eligible Paper (q.v.) for rediscount, or by borrowing on its own notes secured by eligible paper or by Government obligations. It may elect to receive the proceeds either in Federal Reserve Notes (q. v.) which it may pay out over the counter, or as a credit to its reserve account against which it may draw, or expand its loans and deposits. In other words, Federal Reserve notes and excess reserve at the Federal Reserve bank are interconvertible to a member bank. (See Elastic Currency.)

During times of business contraction customers pay off their notes, thereby permitting member banks to take up their rediscounted paper at the Federal Reserve banks, with the result that Federal Reserve notes are retired, or the borrowing bank's deposits and loans reduced.

The limit to which Federal Reserve banks can issue Federal Reserve notes is fixed by the 40 per cent. gold certificates reserve requirement. These notes must be fully secured by rediscounted commercial paper, bills bought, gold certificates, or Government securities except that in any case, the gold certificate reserve cannot be less than 40 per cent. This limit may be suspended by the Board in times of unusual stress, but with certain penalties laid down in the Act.

3. To provide an efficient system of collecting out-of-town checks. The Federal Reserve Act empowers each Federal Reserve bank to exercise the functions of a clearing house for the member banks of its district, and for such non-member banks as may qualify (by keeping a sufficient balance to cover outstanding collections), which are known as Clearing Member Banks (q. v.). The Federal Reserve Board itself serves as manager for clearing debit and credit balances arising among the various Federal Reserve banks.

From all member and clearing member banks, Federal Reserve banks will receive all items, e. g., checks, sight drafts, matured acceptances, matured notes, and coupons, at par, and forward them to the Federal Reserve bank of the district in which they are payable; or else a member bank may itself forward items payable in another district directly to the Federal Reserve bank of such district for credit of the sending bank's account with the Federal Reserve bank located in the sending bank's district. The United States is divided into time zones, and by inspection of a schedule published by each Federal Reserve bank showing when the proceeds of items sent to various points become available, it is possible to compute when any transited item becomes credited to the reserve account. All banks using the system are required to receive and remit for checks sent to and drawn upon them, at par.

Currency shipments in connection with the collection of checks for member banks by Federal Reserve banks are largely eliminated by a daily clearing of interdistrict debits and credits despatched by means of private wires to the Federal Reserve Board, which makes appropriate entries against the accounts of the twelve banks in the Interdistrict Settlement Fund (q. v.). The expense of intra- and inter-district clearings and collections is borne entirely by the Federal Reserve banks. (For further information with regard to par clearances, see Federal Reserve Check Collection System, Federal Reserve Inter-District Check Collection System.)

4. To engage in open market operations. Federal Reserve banks may buy and sell in the open market, either at home or abroad, commercial bills of exchange, bankers' acceptances and certain specified kinds of government obligations. These authorized dealings with the outside public are known as open market operations and play an important part at times in the transfer of reserve money from places of redundancy to places of scarcity and tend to maintain the national equilibrium in money rates.

The third method by which the Federal Reserve System renders more mobile our reserve money is through the creation of a broader market for commercial paper. Under the old banking system the bulk of American commercial paper was essentially local, with little or no market outside the community in which it was created.

The Federal Reserve System provides machinery by which high grade commercial paper can be discounted with entire safety throughout the United States. In this connection it has sought to encourage by preferential discount rates the use of trade acceptances and bank acceptances, forms of credit devices of the highest possible type which have been widely use in Europe, especially in London, for many years.

(See Open Market Purchases, and Regulations "B" and "M" of Federal Reserve Board Regulations.)

5. To serve as depository and fiscal agent for the Government, and to carry on sub-treasury operations. Federal Reserve banks are custodians of the major portion of the funds of the Government, and transfer them from place to place without charge. They make temporary advances to the Government. They are instrumental in the issue, flotation, conversion, and redemption of Government bonds and certificates of indebtedness, and pay the interest thereon. With the abandonment of the sub-treasuries in 1921, these banks supply member and other banks with coin and currency, and issue new currency in exchange for worn and mutilated bills and coins.

6. To conserve the American money market. This is largely achieved through the power (with the permission of the Federal Reserve Board) of raising and lowering the rediscount rate. Raising the rediscount rate is an effective tool for discouraging over-expansion in business, undue speculation, and a dangerous outflow of gold. Lowering the discount rate after a period of stress has subsided, on the other hand, is an invitation to expand business operations.

Through open market purchases and sales of commercial paper, bankers' acceptances, foreign bills of exchanges and cable transfers, also, these banks are enabled to exercise some degree of control not only over the money market, but also over gold movements,

foreign exchange rates, and dollar quotations in foreign markets.

Summarizing, the following achievements have been gained by Federal Reserve System: (1) democratization of banking by placing facilities equally at the disposal of commercial, industrial, and agricultural interests; (2) concentration of reserves in twelve central reservoirs, thereby creating a base for a greater volume of credit; (3) mitigation of panics by providing for an elastic currency and credit, capable of expansion in times of rising prices and growing prosperity, and of contraction in times of falling prices and liquidation; (4) restoration of confidence in the soundness of our money, credit, and banking system; (5) creation of an efficient, swift, and economical system of collection of out-of-town checks; (6) assistance rendered the Government as a depository and fiscal agent, and in administering sub-treasury functions; (7) creation of the bankers' acceptance, and assistance given American bankers by enabling them to participate in the profits to be derived from financing foreign trade; (8) maintenance of a continuous open market for the purchase and sale of high-grade business paper; and (9) partial control of interest rates, gold movements, and foreign exchange fluctuations.

Recent Changes. — Since 1933, many changes affecting Federal Reserve banks and their members, either by direct amendment of the Federal Reserve Act, or in related cognate banking legislation, have been made. Among the most important of these changes are the following.

1. Permanent deposit insurance has been provided, under the Banking Act of 1935, succeeding the Temporary Federal Deposit Insurance Fund established originally January 1, 1934 in accordance with the Banking Act of 1933. Under the permanent plan, member banks, which are required to be insured, and other banks, which may elect to be insured, are subject to assessments at the rate of 1/12th of 1% of average total deposits. In return, the Federal Deposit Insurance Corporation assumes 100% deposit insurance liability for all unrestricted deposits up to a maximum of $5,000 for each depositor. (See Federal Deposit Insurance Corporation.)

2. Member banks of the Federal Reserve System are prohibited from the payment of interest on demand deposits, effective June 16, 1933. The Board of Governors of the Federal Reserve System was also authorized to regulate interest rates on time deposits. Accordingly, the Board issued Regulation "Q" on August 29, 1933, which defined various types of deposits and provided maximum rates of interest payments.

3. Commercial and investment banking business have been divorced. All banks were prohibited, beginning July 16, 1934, from owning or controlling a security affiliate (theretofore engaged in underwriting and distributing securities).

4. Member banks are prohibited from lending funds to any executive officer of his member bank. A bank officer must also report to his board of directors concerning loans from another member bank.

5. Under the Banking Act of 1933, enacted June 16, 1933, new stock of national banks issued after that date was rendered free from "double liability", and later, the Banking Act of 1935, gave national banks the right, upon publication of required notice, to terminate double liability on all issues, both old and new.

6. Member banks are prohibited from acting as agent in making loans to brokers or dealers for the account of others; and from investing in affiliate obligations.

7. Private banks may not engage in both a commercial banking business and securities business. If a private bank elects to become a commercial bank, i. e., receive deposits, it is required to undergo State or Federal examination. Security corporations are prohibited from accepting commercial deposits.

8. Branch banking. State member banks are accorded the same rights respecting branches as national banks. With the approval of the Comptroller of the Currency national banks may establish and operate branches within the state, if such right is permitted by state laws to state banks. National banks are entitled to the privilege of establishing branches and must have a minimum capital of $500,000, except in states with a population of less than one million and which have no cities located therein with a population exceeding 100,000, where the minimum capital shall not be less than $250,000. In states with a population of less than one-half million and having no cities with a population exceeding 50,000, the capital shall not be less than $100,000. The aggregate capital of every national bank and its branches shall at no time be less than the aggregate minimum capital required by law for the establishment of an equal number of national banks situated in various places where such branches are located.

9. Federal Reserve banks are empowered to make direct loans to industries to provide working capital having a maturity not exceeding five years, and to purchase obligations of this character from financial institutions, under authority granted by the Board of Governors. This new power was conferred by the Act of June 19, 1934. Regulation "S" of the Federal Reserve Board prescribes the conditions and terms under which direct loans may be made.

10. A Federal Open Market Committee of twelve members, one from each Federal Reserve district has been established to supervise open market purchases. The board of directors of each Federal Reserve bank selects one member. See Federal Reserve Regulations "B" and "M."

11. The Board of Governors is charged with special supervision over all relationships and transactions entered into by any Federal Reserve bank with any foreign bank or banker. See Federal Reserve Board Regulation "N."

12. Savings banks may be admitted into the Federal Reserve System to take advantage of rediscount privileges.

13. Reconstituted the former Federal Reserve Board of 6 appointive members into the Board of Governors of the Federal Reserve System and eliminated the Comptroller of the Currency and Secretary of the Treasury as ex-officio members.

14. Changed the title of the head of Federal Reserve banks from "governor" to "president."

15. Permitted national banks to make 5-year real estate loans with limitations based on appraised value and amount of capital and surplus.

(See Central Reserve Cities, Federal Reserve Advisory Council, Federal Reserve Agent, Federal Reserve Bank Notes, Federal Reserve Board, Federal Reserve Branch Banks, Federal Reserve Bulletin, Federal Reserve Cities, Federal Reserve Statement, Pepper-McFadden Act, Naked Reserve, National Bank System, National Monetary Commission, Rediscount, Rediscount Rate, Reserve Cities.)

Bibliography

For selected modern Bibliography on the Federal Reserve System, see Bibliography under Bank.

FEDERAL SAVINGS AND LOAN ASSOCIATION

Under Section 5 (a) of the Home Owners Loan Act of 1933, Federal charters were provided for Federal Savings and Loan Associations, to be supervised by the Federal Home Loan Bank Board. The privilege of converting to Federal charters was offered to state-chartered building and loan associations, including Federal aid and automatic membership in Federal Savings and Loan Insurance of Individual accounts up to $5,000.

As of June 30, 1947, the constituent units in the Federal Home Loan Bank System included 1,476 Federal Savings and Loan Associations, for which membership is mandatory. Some 2,529 savings and loan associations, with combined assets of $7.9 billion, were covered by Federal Savings and Loan Insurance of individual accounts up to $5,000. Insurance is optional for state-chartered associations.

In operation, Federal Savings and Loan Associations are similar to state-chartered institutions, lending to home owners on mortgage security and encouraging long term savings, under the supervision of the Federal Home Loan Board.

(See Building and Loan Association, Federal Home Loan Bank Administration, Federal Savings and Loan Insurance Corporation, Home Owners Loan Act.)

FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION

Established in 1934 under Act approved June 27, 1934, the Federal Savings and Loan Insurance Corporation insures accounts up to $5,000 for each investor in each Federal savings and loan association and in each state-chartered institution of the savings and loan association type which has been approved for membership. Federally chartered savings and loan associations are required to be insured, but insurance is optional with State-chartered institutions. As of December 31, 1947, a total of 1,478 Federal Savings and loan associations; and 1,058 State-chartered institutions, were insured. The insured amount of investments in all Federal savings and loan associations totaled $4,325,000,000 and in insured State-chartered institutions $2,401,000,000, or a total insured share liability of the corporation of $6,726,000,000.

Capital stock totals $100,000,000, all of which is owned by the Home Owners' Loan Corporation. As of December 31, 1947, total assets of the corporation were $189,000,000, of which $184,000,000 were invested in U. S. Government securities. Net worth, including the capital stock, totaled $185,000,000. As of December 31, 1947, the Home Owners' Loan Corporation had $5,162,550 investment in full-paid shares of Federal Savings and Loan Associations, remaining from original investments of $178,400,700 made possible by an allocation by Congress of $300,000,000 for the purchase of shares in Federal and State-chartered associations which were members of the Federal Home Loan Banks or insured by the Federal Savings and Loan Insurance Corporation, and of obligations of the Federal Home Loan Banks. The U. S. Treasury also had $555,400 investment in shares of Federal savings and loan associations as of December 31, 1947, remaining from original investments of $49,300,000, provided from an allocation to the Treasury for this purpose.

(See Federal Savings and Loan Association, Home Owners' Loan Corporation.)

FEDERAL TRADE COMMISSION

A commission created by the Federal Trade Commission Act approved by Congress September 26, 1914 and amended by the Wheeler-Lea Act on March 21, 1938. The commission consists of five members appointed by the President with the advice and consent of the Senate, not more than three of whom are to be of the same political party. The Commission was an outgrowth of crystallization of sentiment in favor of regulation of big business, and superseded the old Bureau of Corporations. The Commission's basic function is the quasi-judicial function of making findings of fact in the promotion of fair competition and freedom from monopoly in interstate commerce, and the prevention of false and misleading advertising of food, drugs, cosmetics, and devices injurious to health. The Commission also conducts investigations of interstate and foreign commerce, either upon the direction of the President or Congress, upon application of the Attorney General, or at its own initiative. Activities are limited to interstate and foreign commerce. The Commission has no absolute mandatory powers, since its decisions are subject to appeal and review by the courts. Findings of fact, however, are generally sustained by the courts if supported by substantial evidence. It issues its orders or "complaints" after an investigation on its own initiative or through the complaint of competitors.

Laws administered by the Commission are: the Federal Trade Commission Act; the Clayton Act (Sec. 2, as amended by the Robinson-Patman Act; also Secs. 3, 7 and 8); the Webb-Pomerene Export Trade Act; the Wool Products Labeling Act; and the Lanham Trade Mark Act (sections relating to cancellation of registration of offending trade marks). These laws relate to unfair methods of competition and unfair or deceptive acts or practices in commerce; price and other discriminations; organizations engaged exclusively in foreign trade; proper labeling of substitutes and mixtures in wool products; and revocation of trade marks which are deceptive, fraudulent or offensive.

The Commission's headquarters are located at Washington, D. C., and branch offices are located in New York City, Chicago, San Francisco, Seattle and New Orleans.

FEDERAL WORKS AGENCY

An important Federal agency from the standpoint of Federal spending for "pump priming" purposes, as it consists of the Public Buildings Administration, the Public Roads Administration, and the Bureau of Community Facilities. These are the surviving three constituent agencies of the five organizations brought under the Federal Works Agency at the time of its organization in 1939.

The Public Buildings Administration is responsible for the design, construction, maintenance and repair of Federal buildings, as well as the control of space and operation and protection of Federal buildings in the District of Columbia and certain Federal buildings located elsewhere. For the fiscal year 1947, this agency paid out a total of $20,285,127 for construction, $7,843,294 for repairs and alterations, $38,471,200 for maintenance and operation of buildings in the District of Columbia, and $36,045,388 for maintenance and operation of buildings located elsewhere.

The Public Roads Administration is the principal road-building agency of the United States Government and administers Federal funds made available to aid the States in improvement of highways. This agency administers the large post-war highway program authorized by the Federal-aid Highway Act of 1944, which authorizes $500,000,000 as aid to the States in highway construction in each of the first three post-War fiscal years.

Finally, the Bureau of Community Facilities was assigned the advance planning program of Title V, War Mobilization and Reconversion Act of 1944, providing for Federal loans or advances to States and other non-Federal public agencies in the planning of post-War public works. Authority to make Federal loans and advances expired on June 30, 1947, and the program is being liquidated. The agency was also assigned the veterans' educational facilities program, providing for use of surplus Government property for non-housing purposes at institutions of higher learning.

(See Pump Priming.)

FEE

This term has two meanings:

(1) A commission; charge for services. This term now is rarely used in finance, being supplanted by the term Commission (q. v.). It is primarily used in connection with court costs in referring to witness fees, jurors' fees, and lawyers' fees.

(2) Fee Simple (q. v.).

FEE SIMPLE

An estate of inheritance continues to be termed a fee simple, or fee, and when not defeasible or conditional, a fee simple absolute, or an absolute fee (New York Real Property Law, Section 31).

The fee simple absolute is the greatest estate in land, and is characterized by infinite duration, full possession and enjoyment, free alienation, and descendability and devisability to the heirs of the owner. The fee simple defeasible is a fee which will come to an end automatically at the time specified in the instrument creating it, no re-entry by the grantor or his heirs being necessary to terminate it. The fee simple subject to condition sub sequent is a fee which will terminate upon the breach of a condition subsequent attached thereto and re-entry by the grantor or his heirs.

FEEDER

A branch line or short railroad which originates freight and passenger traffic for a main line or longer railroad. A feeder gathers traffic in territory where business is light and delivers it at a through traffic terminal to a line serving a richer territory.

FEEDER LOANS

See Cattle Loans.

FEN

A Chinese weight equal to 1/100th of a tael or 1/1,600th of a chin; a candareen, Chinese money of account.

FEVERISH

An expression used to describe the stock and commodity markets when prices are hesitating, changeable, and uncertain, especially at a time when fundamental conditions are unsettled.

FIAT MONEY

Inconvertible or irredeemable money which a Government declares shall be accepted as legal tender in payment of debts, but which is not covered by an available specie reserve. It consists either of Government promises to pay the quantity of which is regulated, or of undervalued metallic coins (silver, nickel, or copper) coined only on Government account, but in no event is there expectation of redeeming either variety in the standard metal.

Fiat money was issued in large quantities during our colonial, revolutionary, and Civil War periods, each time with the same disastrous results, viz., driving full value coins out of circulation, or subjecting them to a premium, inflating prices, and in the end, becoming worthless, except in the case of the Civil War greenbacks, which became redeemable money by the Specie Resumption Act of 1875. (See Money.)

FICTITIOUS PAYEE

A non-existent payee; a fictitious person to whom a check, note, or bill of exchange is made payable. The term also applies to an existing payee whose name has fraudulently been inserted on a check, note, etc.

The Negotiable Instruments Law (Sec. 9 (3) of the Uniform Negotiable Instruments Law; Sec. 28 (3) of the New York Negotiable Instruments Law) applies to both situations, and reads: "The instrument is payable to bearer ...3. When it is payable to the order of a fictitious or non-existent person, and such fact was known to the person making it so payable..."

FIDELITY INSURANCE

Insurance provided to indemnify employers against loss by reason of the dishonesty of employees, or on account of the non-performance of contracts. In fidelity insurance contracts, the insurance company undertakes a suretyship issuing fidelity insurance bonds as a guaranty against loss arising from default or dishonesty of the insured person. The beneficiary under this form of insurance may be a private employer, a state, county or municipality, or the United States Government. Fidelity insurance companies require each applicant for a bond for which insurance is to be provided to fill out a form. In considering the application the reputation and past history of the individual is scrutinized, the opportunity or temptation for theft or dishonesty which his position offers, and the value of the property in his possession by virtue of his employment. In investigating his reputation the criminal and civil court records are consulted. Where the risk has a criminal record the application is usually rejected. Fidelity bonds are issued for three classes of risks, larceny or embezzlement, culpable negligence, and the faithful discharge of duty.

FIDUCIARY

A person or corporation (bank or trust company) in whom certain property of the principal (settlor) is entrusted for some purpose specified in the trust instrument. In such a technical trust, the fiduciary is known as the trustee. Other fiduciaries in non-technical trusts are executors, administrators, guardians, assignees, receivers, committees of estates of lunatics, etc.

FIDUCIARY CAPACITY

Generally speaking, any relationship of confidence and trust involving the highest degree of good faith and

loyalty to the interests of another person. Thus, the term is not restricted to technical trusts, but will include such relationships as attorney and client, broker and principal, corporation director and stockholders, agent and principal, etc. The term more specifically refers to formal fiduciary relationships such as trustee in technical trusts, executor, administrator, conservator, guardian, committee in lunacy, receiver, assignee, etc., for the benefit of beneficiary, distributee, ward, lunatic, debtor, principal, etc. A trustee capacity differs from an agency in that a trustee holds legal title to the property for his beneficiary, and the agency is usually a personal relationship dependent upon the will and continued existence of the parties, whereas the trust is impersonal in nature.

National banks are permitted to act in a fiduciary capacity--trustee, executor, administrator, registrar of stocks and bonds, guardian of estates, assignee, receiver, committee of estates of lunatics, etc.--when not in contravention of state or local laws, under grant of special permit from the Board of Governors of the Federal Reserve System under Sec. 11 (k) of the Federal Reserve Act. In addition to authorizing the organization of trust companies expressly organized with such powers, most of the states have also passed laws enabling state banks to act as fiduciaries. (See Trusts.)

FIDUCIARY CURRENCY

Credit money; money no part of which is supported by a metallic reserve. Paper money issued on the credit of a bank or Government is fiduciary currency. Theoretically, there is no fiduciary currency in the United States.

In England, fiduciary currency has a specific meaning. The Bank of England since its inception has always operated with a fiduciary note issue independent of the bank notes which have a 100% gold coverage. The fiduciary issue is secured by Government debt, other Government securities and silver coin, and constitutes the bulk of the Bank of England's circulation. Normally, it is designed to accommodate the absolute needs of business for currency and represents that portion which experience has shown tends to remain in circulation under any circumstances.

FILES

See Average Loan and Balance File, Credit Files.

FILLING

The part of a check which contains the amount written both in words and figures. The words and figures should agree, but the Negotiable Instruments Law (New York Negotiable Instruments Law, Sec. 26 (1), states that wherever there is a discrepancy, the sum denoted by the words is the sum payable, unless the words are ambiguous or uncertain. In that case the figures may be taken to fix the amount payable.

FINANCE

This term has three meanings:

(1) To raise money necessary to organize, reorganize, or extend an enterprise, whether by the sale of stocks, bonds, notes, or otherwise.

(2) A general term to denote the theory and practice of monetary credit, banking and promotion operations in the most comprehensive sense. It includes money, credit, banking, securities, investment, speculation, foreign exchange, promotion, reorganization, underwriting, brokerage trusts, etc.

(3) Originally the term was applied to the raising of money by taxes or bond issues and the administration of revenues and expenditures by a Government. This is now known as Public Finance (q. v.).

Also see under Corporation Finance.

FINANCE BILLS

A clean bill of exchange, usually of 60 days tenor or over, drawn by a bank or banker in one country on a bank or banker in another for the purpose of raising funds, and especially when the interest rates in the country on which the bill is drawn are lower than in the country where the bill is drawn. Finance bills are not drawn against the shipment of goods; they are bankers' bills as distinguished from Commercial Bills (q. v.). They are sometimes drawn against balances maintained with the drawee bank, but more often are not, being in the nature of an advance from a bank in one country to a bank in another. Finance bills are usually unsecured (up to a maximum limit), but sometimes bonds, stocks, or other collateral are pledged as security. The drawee bank accepts a finance bill for a fixed commission, but only of course when the drawing bank enjoys a high credit rating. Thus a finance bill is drawn for the purpose of raising funds to establish additional balances at home or abroad.

FINANCE COMMITTEE

In larger boards of directors, the board by resolution may appoint a Finance Committee, consisting of those directors who are specialists in finance, who shall have power to supervise the financial affairs of the corporation and shall report to the board of directors from time to time or whenever it shall be called upon to do so.

FINANCE COMPANY

A term used to denote several different types of institutions. It is sometimes employed in this country to denote a Holding Company (q. v.), and also a Commercial Credit Company (q. v.). In England the term usually refers to a company dealing in corporate securities.

FINANCIAL ADVERTISING AGENCIES

Advertising specialists which devote their exclusive attention to financial advertising. With the growing tendency toward greater competition among banks for business and their consequent aggressive attitude, and the overcoming of conservatism and prejudice against advertising, a large number of advertising agencies specializing in the financial field, have been established in recent years.

The services provided by these agencies are broadly of two types, individual and syndicated. Some of the more important types of services provided by these agencies are: newspaper layout and mat service, magazine layout and mat service, circular letters on various subjects, business and financial reviews, house organs, statement enclosures, window displays, pamphlet series covering special subjects, e. g., investments, savings, trusts, custodianships, letters of credit, wills, etc. (See Advertising Department, Publicity Department.)

FINANCIAL FORECASTING

See Business Barometers, Business Forecasting Services.

FINANCIAL LEGISLATION

See Bank Law, New Deal.

FINANCIAL MAGAZINES

The principal banking and finance magazines published in the United States are as follows:

American Institute of Banking Bulletin (quarterly).
Analysts Journal, New York Society of Security Analysts (quarterly).
Arkansas Banker (monthly).
Bank and Quotation Record (monthly).
Bankers Monthly.
Banking Law Journal combined with The Bankers Magazine (monthly).
Banking (monthly).
Barron's (weekly).
Bond Buyer (weekly).
Burroughs Clearing House (monthly).
Business Week.
Coast Banker (monthly).
Commercial and Financial Chronicle (twice weekly).
Credit and Financial Management (monthly).
Dun's Review (monthly).
Exchange, New York Stock Exchange (monthly).
Federal Reserve Banks: Monthly Reviews.
Federal Reserve Bulletin (monthly).
Financial Age (weekly).
Financial World (weekly).
Forbes Magazine (semi-monthly).
Fortune Magazine (monthly).
Great Lakes Banker (monthly).
Industrial Banker (monthly).
Institute of International Finance of New York: Bulletin (irregular).
Investment Banking (monthly).
Investment Dealers Digest (weekly).
Kansas Banker (monthly).
Kentucky Banker (monthly).
Magazine of Wall Street (fortnightly).
Michigan Investor (weekly).
Mid-Continent Banker (monthly).
Mid-Western Banker (monthly).
Mississippi Banker (monthly).
Money and Commerce (weekly).
Month's Work (National Association of Mutual Savings Banks).
Mortgage Banker (monthly).
Mountain States Banker (monthly).
National Auditgram (monthly).
New Jersey Banker (quarterly).
Northwestern Banker (monthly).
Ohio Banker (monthly).
Savings and Loan News, New York State League of Savings and Loan Associations (monthly).
Savings and Loan News, U. S. Savings and Loan League (monthly).
Savings Bank Journal (monthly).
Small Loan News (monthly).
Southern Banker (monthly).
Survey of Current Business (monthly).
Tarheel Banker (monthly).
Texas Bankers Record (monthly).
Trust Companies Magazine (monthly).
Trusts and Estates (monthly).
U. S. Investor (weekly).

For a current index to literature in periodicals, reference is made to the Industrial Arts Index, published by the H. W. Wilson Company, New York, N. Y.

FINANCIAL NEWS

See Financial Magazines, Financial Newspapers, Market Influences; Ticker.

FINANCIAL NEWSPAPERS

The principal daily financial newspapers exclusively devoted to financial subjects and published in the United States, are:

American Banker
Chicago Journal of Commerce
Daily News Record
Journal of Commerce of New York
Wall Street Journal

FINANCIAL RESPONSIBILITY

A term used among bank credit men to indicate the financial worth, i. e., the conservatively appraised net assets, of a credit risk. It is the ability of a borrower or prospective borrower to pay his debts based on his wealth or property. Financial responsibility is measured by the Property Risk (q. v.). (See Credit.)

FINANCIAL SOLVENCY

The normal condition of a business when current assets are in excess of current liabilities as disclosed by a true and correct financial statement. Financial solvency is to be distinguished from Business Solvency (q. v.). (See Solvency.)

FINANCIAL STATEMENT

Another term for a balance sheet, statement of condition, and statement of resources and liabilities. (See Balance Sheet, Bank Statement.)

FINANCIER

One skilled in Finance (q. v.), but the term is particularly applied to one engaged in promoting and underwriting.

FINE

The degree of purity or fineness of a metal expressed in terms of parts, percentages, or carats. Fine gold is 100 per cent. pure, or unalloyed; gold which is 24 carats. (See Carat, Fineness.)

FINE GOLD

See Fine, Fineness.

FINENESS

The amount of pure metal in a bar, ingot or coin; the degree of purity of a metal as expressed in terms of parts, percentages, or carats. The silver coins of the United States (gold coins are no longer coined) are nine-tenths fine, meaning that they contain nine parts or 90 per cent. pure silver, and one part or 10 per cent. alloy. English gold coins are eleven-twelfths fine. Standard bullion is nine-tenths fine. (See Coinage, Fine, Mint Fine Bars, Present Standard of Weight and Fineness, Standard Bullion.)

FINGER PRINT IDENTIFICATION

A method adopted by a number of savings banks as a means of certain identification, especially of foreign-born and illiterate depositors. Many savings banks located in districts serving a foreign population have experienced difficulty and suffered losses by reason of withdrawals from savings accounts by wrongful parties.

Test questions in connection with withdrawals from savings accounts by illiterate depositors have been used for many years, but they have not always proved satisfactory, especially where the depositors are unable to speak English.

Finger print identification is based upon the persistence of the skin patterns of the fingers, which do not change during the life of the individual, and which are different for each individual. Scratching and laceration do not ordinarily obliterate these patterns. The finger print is taken at the time an account is opened upon the signature card, which contains the usual additional information e. g., residence, references, occupation, etc. At each withdrawal a finger print impression is taken and compared with the original without inconvenience to the depositor.

Finger-prints were probably first used extensively for identification purposes by the British in India who applied the system as early as 1899 to the native Hindus where identification is very difficult for a foreigner. Finger-prints have been taken from the same people during childhood and again during early manhood, and in other cases during early manhood and middle age. These records have proven that finger-prints do not change materially during the whole course of life, although the patterns become larger and more pronounced as the fingers and hands grow in size. The whole system of finger-print identification depends upon the unchangeable character of these ridges. By spreading ink on the undersurface of the fingers and then impressing them upon paper or some other white surface we obtain a "finger-print" either as a record or for comparison with a previous print. By carefully comparing patterns according to well-established standards it is possible to show whether or not the impressions were made by the same person. Although at first the patterns made by finger-prints appear very complicated and difficult to recognize, closer study will show that variations in them can be detected with comparative ease. This is accomplished by classifying the various forms of finger-prints into certain types. The first requirement for a person who uses the finger-print system of identification is to familiarize himself with these various types of prints. Studies of the finger-prints of thousands of persons, by those who are constantly working with the system, have led to the establishment of four general types of patterns, although combinations or variations are sometimes found. These four types are called arches, loops, whorls, and composites.

The finger print system of identification removes the chief objection of savings banks in accepting accounts with illiterates.

FINMARK

The Markka, or Finnish mark.
See Foreign Moneys—Finland.

FIRE INSURANCE

See Insurance.

FIREWORKS

A stock market expression which denotes the soaring of prices in a single security or group of securities; a rapid advance in prices.

FIRM

This term has two meanings:

(1) A partnership; a business or professional association of two or more persons as distinguished from an incorporated company. (See Partnership.)

(2) An expression which denotes steadiness in security or commodity quotations. Prices are firm when they are stable, and resist decline, tending upward rather than downward. Though somewhat illogical in view of its derivation, a firm market usually implies one in which prices are fractionally higher; it is midway between a strong when prices are rising, and a steady market when prices are stationary.

Money is firm when interest rates hold stationary.

FIRM BID

See Offered Firm.

FIRST AND CONSOLIDATED MORTGAGE BONDS

Bonds secured by a first mortgage on a part or parts of such properties (usually of railroads) as have been consolidated, and by a second or even third mortgage upon the rest. These bonds are practically the same as General Mortgage Bonds (q. v.).

FIRST AND GENERAL MORTGAGE BONDS

Bonds secured by a first mortgage on a part of the property of the issuing corporation (usually a railroad) and by general mortgage on the rest. Such bonds are sometimes issued by a railroad in financing a new extension. A first mortgage is placed upon the new property, and if the previous mortgages upon the old property are of the open type, the remaining equity in the previously mortgaged property is used as further security. These bonds are also known as General and First Mortgage Bonds.

FIRST AND REFUNDING MORTGAGE BONDS

Bonds secured by a first mortgage on a part of the property of the issuing corporation (usually a railroad), but constituting a junior lien upon other parts, the debt upon which is being refunded. These bonds are practically synonymous with First and Consolidated Mortgage Bonds, except that the latter issue is not a refunding issue. (See Refunding Bonds.)

FIRST BANK OF THE UNITED STATES

See Bank of the United States.

FIRST BOARD

On exchanges which deal in futures, the delivery dates for the various positions are designated in advance by the exchange authorities. The first call for cotton, grain, or sugar is often known as the first board.

The term is also used to indicate the first printed sales for particular issues occurring on the New York Stock Exchange, i. e., those between 10 A. M. and noon.

FIRST-CLASS PAPER

Gilt-edged paper made or indorsed by concerns which enjoy a nation-wide reputation for their products, financial responsibility, and credit standing, as distinguished from second and third class paper indorsed by names of companies not so well known and with less financial responsibility. This term is used primarily in connection with commercial paper marketed by note brokers.

FIRST CONSOLIDATED MORTGAGE BONDS

The first (in point of time) consolidated mortgage bonds issued by a corporation (usually a railroad). Such bonds do not necessarily represent a first lien upon the

mortgaged property, since in most cases only a part of the pledged property is secured by a first mortgage. They are practically synonymous with First and Consolidated Mortgage Bonds, but should not be confused with Consolidated First Mortgage Bonds (q. v.).

FIRST GENERAL MORTGAGE BONDS

Literally, the first (in point of time) general mortgage bonds issued by a corporation (usually a railroad). They are in no sense bonds secured by a first mortgage. Since general mortgage bonds represent in part a second or even lesser claim upon the mortgaged property, it is not likely that an issue of second general mortgage bonds would ever be floated. It is, therefore, an equivocal title. (See General Mortgage Bonds.)

FIRST LEASEHOLD BONDS

Bonds secured by a mortgage on the estate in realty held under a lease, or leasehold, rather than upon the property itself. This type of bond was popular in real estate financing in the late '20s, but proved vulnerable to shrinkage in earning power subsequently, as interest on the bonds is really junior to the payment of rental on the lease. Leaseholds as security also proved to be unsatisfactory for bond financing, as payment of rentals was also impaired by shrinkage in earning power. (See Real Estate Bonds.)

FIRST LIEN

The first claim or right against property. A first mortgage bond represents the first claim to the assets and earnings of a corporation, after the preferential claims (taxes, wages, etc.) have been satisfied. (See Lien.)

FIRST LIEN AND GENERAL MORTGAGE BONDS

Bonds which constitute a first lien (or are a first mortgage) on a part (usually a small part) of the property of the issuing corporation and a general mortgage upon the rest. These bonds are the same as First and General Mortgage Bonds (q. v.).

FIRST MORTGAGE BONDS

Bonds secured by a first mortgage upon all or part of the property, as well as earnings, of the issuing corporation. While first mortgage bonds are secured by property (usually real estate but sometimes chattels and current assets), they are not necessarily always first class investments. A second or even third mortgage bond of one corporation may be entitled to a higher investment rating than a first mortgage bond of another. A first mortgage security on a given property, however, is superior to any other security, on the same property. The soundness of a first mortgage bond as an investment depends upon the value of the property serving as security in excess of the total par value of the bonds issued, the range of fluctuation of earnings, the margin of average earnings over the combined operating expenses and fixed charges, and the probability of certain retirement of the bond at maturity. While foreclosure proceedings may be instituted upon default in payment of either interest or principal of a mortgage bond, there is always danger of loss because of the possible shrinkage in value of the property upon sale, and the delay and costs incident to legal action. (See Second Mortgage Bonds.)

FIRST MORTGAGE TRUST BONDS

Bonds which are secured by a deposit of other bonds which in themselves are secured by a first mortgage. In other words these bonds are collateral trust bonds, the collateral for which consists of first mortgage bonds.

FIRST OF EXCHANGE

Foreign bills of exchange and checks are usually issued in duplicate sets and sometimes in triplicate sets. The purpose of this practice is to insure the ultimate arrival of the bill of exchange at the foreign point where it is payable. Duplicate bills with duplicate documents attached are transmitted on separate steamers to avoid inconvenience in case one ship is delayed and as a form of marine insurance—since it is not likely that both steamships will meet with a marine disaster. The first bill presented is paid, whether original, duplicate, or triplicate, i. e., any of the set is payable if the others are unpaid. When one of the set is paid, a stop is automatically placed on the others. The duplicate bills are referred to as "First of Exchange", "Second of Exchange", or as "Original" and "Duplicate". When only one bill of exchange is issued it is called sola, sole, or solus. (See Bills in a Set, Sola.)

FIRST PREFERRED STOCK

See Preferred Stock.

FIRST REFUNDING MORTGAGE BONDS

The first (in point of time) refunding bonds issued by a corporation (usually a railroad or public utility). This title is misleading and does not mean that the bonds are secured by a first mortgage, as does the title Refunding First Mortgage Bonds (q. v.).

FIRST TELLER

Another title sometimes given to the paying teller for the reason that he assumes greater responsibility and usually receives a higher salary than any of the other tellers. (See Paying Teller.)

FISCAL AGENT

Financial agent. A bank or trust company may be appointed to take general or special charge of the finances of a corporation client in accordance with any agreement which may be made between them. Acting as treasurer, a bank or trust company may perform such disbursing functions as paying bonds and coupons at maturity, bonds which have been called for redemption, dividends, interest on registered bonds, rents, etc. It may also receive sinking fund installments. The fiscal agent function is one of the corporate trust functions.

FISCAL YEAR

A term used to indicate the accounting year as distinguished from the calendar year, with which it may or may not coincide. The fiscal year is any annual period which a business or Government or sub-division thereof may select as a basis for closing its books in order to determine the results of operations and financial condition. Although most business enterprises close their books and take a physical inventory only at the close of the fiscal year, financial statements are often prepared monthly or quarterly without involving a closing of the books. The fiscal year of the United States closes June 30th. With most businesses, the fiscal year corresponds with the calendar year.

FITCH BOND BOOK

See Manuals.

FIVE PER CENT REDEMPTION FUND

The fund in gold certificates required to be maintained by each Federal Reserve Bank at the Treasury of the United States, according to the Federal Reserve Act, as in the judgment of the Secretary of the Treasury is necessary for the redemption of the Federal Reserve Notes issued to such bank, but in no event less than 5% of the total amount of the notes issued, less the amount of gold certificates held by the Federal Reserve Agent as collateral security. Such deposit of gold certificates is counted and included as part of the 40% reserve required against Federal Reserve Notes in circulation.

Federal Reserve Banks must maintain an actual reserve in gold certificates of at least 25%, including the redemption fund, which must be deposited with the Treasury of the United States against Federal Reserve Notes in actual circulation.

Federal Reserve Bank Notes and National Bank Notes, which are not in process of retirement, had a similar requirement for a redemption fund. (See Federal Reserve Bank Notes, National Bank Notes.)

FIXED ASSETS

Assets used for carrying on a business; non-trading assets, e. g., land, buildings, machinery, equipment, furniture, fixtures, etc. These assets are of a permanent nature and are to be distinguished from current assets since they will not, in the ordinary course of business, be converted into cash. They are also known as permanent, property, and capital assets.

FIXED ASSET TEST

One of the general tests applied in analyzing the investment position of securities. The depreciated value of fixed assets (land, buildings, equipment, etc.) should normally be substantially in excess of the funded debt outstanding. Even the railroads, which are allegedly over-capitalized, compare favorably on this test. Net unmatured funded debt of railroads totals about 30% of investment in road and equipment, which means there are over $3.30 invested in road and equipment for every dollar of funded debt.

This test is also computed on the basis of total capitalization (funded debt and capital stock) to the net depreciated value of fixed assets. (See Ratio of Debt to Net Worth; Ratio of Fixed Assets to Net Worth.)

FIXED CAPITAL

Capital invested in fixed, as distinguished from current assets; the excess of fixed assets over fixed liabilities. Fixed capital is that usually furnished by the stock and bondholders, while working capital required for investment in current assets in part may be furnished by banks, or through the commercial paper market, on short-term paper. Fixed capital is regarded as "tied up" or "locked up" and consequently must be furnished permanently or for a long period of time. It is for this reason that stock and bondholders contribute fixed capital to a business. (See Capital.)

FIXED CHARGES

Fixed charges have a specialized meaning in income accounting, and represent those financial expenses which must be paid as they fall due. In railroad accounting, fixed charges include rent for leased roads (usually guaranteed interest or dividends), rent for leased properties; interest on funded debt; interest on short-term or unfunded debt; and amortization of discount on funded debt. Sinking fund appropriations and insurance are sometimes regarded as fixed charges, but since sinking fund charges really are a means of extinguishing debt, it appears more logical to segregate this item as a disposition of surplus, and insurance is generally regarded as an administrative expense.

Fixed charges are sometimes confused with fixed costs, those costs made up of overhead or "burden" (indirect material, indirect labor and other indirect costs) which continue regardless of the rate of operation, as compared with variable costs, as set up in cost systems of accounting.

FIXED INCOME

Income which does not fluctuate in accordance with the general price level. Those whose income is wholly dependent upon the return from bonds, annuities, or pensions, are said to have a fixed income. While business incomes and wages tend to rise and fall with the general price level, fixed incomes do not. The fixed income class also includes Government employees, teachers, ministers, etc., whose salaries stubbornly resist adjustment to changes in the general price level. A period of low prices is beneficial, and a period of high prices disadvantageous to those having a fixed income.

FIXED LIABILITIES

Liabilities which do not mature within a short time, usually one year; long-term liabilities, e. g., bonds, bonds and mortgages, and long-term notes. Sometimes capital stock is erroneously treated as a fixed liability, but it is more properly capital liability. Strictly it is not a liability at all, but rather an accountability of a corporation to its stockholders. It has no maturity and stockholders cannot enforce payment so long as the corporation is a going concern; even in liquidation their claims are postponed till the creditors are satisfied in full.

Bonds or notes maturing within a year should be considered as current liabilities.

FIXED TRUST

See Investment Trust.

FIXTURES

Fixtures are any chattels which have been so affixed or annexed to the realty as to become a part thereof and lose their character as personalty. Annexation may be actual or constructive. Examples of fixtures are: fences, gas pipes and electric wiring in the walls of a building; mirrors set into the walls of a house so as to become a permanent feature of interior ornamentation; engines or electric motors so affixed to the land as to become a part thereof, etc. The tests usually applied to determine whether a chattel is a fixture are: (1) suitability of the annexed chattel for the purposes of the land or other real property; (2) intention on the part of the annexor to make the affixed chattel a permanent feature of the land; (3) impossibility of severance from the land or other realty without injury to the realty.

In accounting usage, the term fixtures refers to the mechanical equipment, cages, grill work, etc. found in a bank. Safe deposit vaults are often set up separately. Both items are distinguished from furniture. These items are written off usually as rapidly as the tax al-

lowed depreciation permits, and thus usually are carried well below resale values.

FLAT

A term used in bond transactions to denote that the price includes any interest accrued since the last interest date. Bonds are usually sold at a price exclusive of accrued interest, the accrued interest at the coupon rate being added. On the other hand, stocks are usually sold flat, i. e., exclusive of any accrued dividend. The following bonds sell flat: adjustment and income bonds (ordinarily); and bonds in default as to interest, principal, or both. (See Accrued Interest.)

FLAX SEED

Trading in flax seed futures is conducted on the Minneapolis Grain Exchange, a regulated exchange under the Commodity Exchange Administration. Contract unit is 1,000 bushels, with a minimum fluctuation or "point" of 1/8¢ per bushel, or $1.25 per contract. Daily trading limit is 10¢ above or below the previous close, or a maximum fluctuation of 20¢. Trading in flax seed futures is light. Commission rate charged to non-members is $5 to buy or sell one contract. (See Commodity Exchanges.)

FLEECE

A stock market expression of unfavorable connotation meaning to take advantage of the innocent amateur in speculation who "goes it blindly" and is either uninformed or misinformed. (See Lamb.)

FLETCHER-RAYBURN ACT

Another title, showing authorship, for the Securities Exchange Act of 1934 (q. v.).

FLIER

A plunge in stocks; a reckless commitment in stocks. A purchase or sale of a highly speculative security with the hope of making a large profit, but with the full understanding that a correspondingly large loss is equally possible. A stock market commitment undertaken with full realization of its speculative nature out of a spirit of gambling and with a gambler's chance of winning.

FLOAT

This term has two meanings:

(1) To market securities; to offer for sale an issue of bonds or stock to investors for the purpose of raising capital. Securities may be floated by an underwriting syndicate or securities company, or by the issuing organization direct, i. e., "over the counter." Government issues are floated through the agency of the Federal Reserve banks. (See Syndicate, Underwriting.)

(2) An account also known as floating account which holds the out-of-town checks outstanding in process of collection. Banks forward out-of-town checks for collection either through correspondent banks or Federal Reserve banks, as collecting agents. While such checks are in transit, i. e., in the process of becoming collected and converted into cash, they are known as the "float", and represent contingent rather than actual assets. They cannot be counted as reserve and must be segregated from cash balances. The "float" or aggregate of out-of-town items in process of collection is held in two general ledger accounts entitled Due from Banks, Collections; and Federal Reserve Bank, Collections.

The Federal Reserve banks also have a float account consisting of the aggregate of out-of-town items which are in the process of collection for member banks. Before the Federal Reserve Check Collection System (q.v.) was in operation, the float for the country as a whole amounted to a very large figure, due to the fact that checks were often out a month or more before presented for final payment. The Federal Reserve check collection system has greatly reduced the outstanding float and accelerated the collection of checks by insuring prompt presentation and because of the quick availability made possible by the daily inter-district settlement through the Inter-District Settlement Fund (q. v.). The Federal Reserve check collection system has also reduced the loss in the use of funds and consequently secured greater economy in the employment of bank funds for exchange purposes, which has been reflected in lower exchange rates. (See Federal Reserve Check Collection System, Due from Banks Collections Account, Federal Reserve Bank Collections Account, Transit Department.)

FLOAT LEDGER

See Collection Ledger.

FLOATING ASSETS

Same as quick or Current Assets (q. v.).

FLOATING CAPITAL

Capital invested in current as distinguished from fixed assets. Economists refer to floating and circulating capital as that which is constantly being turned over by sale, i. e., capital used for trading purposes. John Stuart Mill wrote that floating capital "does its work not by being kept, but by changing hands." Floating capital is also known as circulating capital and is vaguely equivalent to Working Capital (q. v.).

FLOATING CHARGE

A term used chiefly in England to denote an unsecured debt, e. g., debenture bonds.

FLOATING DEBT

The aggregate of current indebtedness, whether accounts or notes payable, or other current accruals of various current maturities, as distinguished from funded debt, unfunded debt or current liabilities maturing within the current year. The term is used of the short term indebtedness of a business corporation or of a Government, state or municipality.

FLOATING SUPPLY (OF SECURITIES)

That portion of the listed stocks or bonds of a corporation which is available for trading and speculation, i. e., in the hands of brokers and speculators, as distinguished from investors. A large part of the securities, and especially stocks, of large corporations is never purchased outright by investors, but is carried on margin. Whatever amount is so carried by brokers on margin for the account of customers, and in the hands of traders and speculators, constitutes the floating supply. Stocks owned outright, retained in safe deposit boxes, and not placed on the market, or not subject to speculative commitments, do not constitute floating supply.

The floating supply of some securities is small. This is true of the securities of the investment class, or those which for some other reasons are closely held. The

floating supply sometimes is so small that a premium is charged for borrowing. This occurs when short selling has been excessive and brokers find it difficult to borrow stock from ordinarily available sources with which to make delivery

FLOOR

A term to signify the floor of an exchange where brokers engage in trading Only members of the exchange are admitted to the floor with the exception of necessary clerks and other employees

FLOOR BROKER

A Two-Dollar Broker (q. v.).

FLOOR TRADER

A member of the stock exchange who trades exclusively for his own account, not accepting orders for customers, as distinguished from a commission broker who maintains a commission house and trades only for the accounts of his customers. These brokers constitute what are known as professionals. By their close contact with the market and their knowledge of its technical position, they are able to take advantage of the slightest change in prices. They are also known as room traders.

FLORIN

In Continental European coinage, the florin has a long history, having been first struck off in Florence, Italy, in 1252.

In modern European currency systems, the florin is found as follows:

(1) A silver coin of Austria, last coined in 1892.

(2) A silver coin of England. (See English Money Table.)

(3) Another name for the Netherlands guilder or gulden. (See Guilder in Foreign Moneys, Table II.)

FLUCTUATING PRINCIPLE

The factor or factors which are responsible for the range of price fluctuation, i. e., movement up and down, of a security. Different classes of both bonds and stocks are subject to a certain price range, i.e., upward and lower limit of price fluctuation. The extent of such fluctuation determines the suitability of the security for Defensive purposes (for greatest stability), as compared with suitability for Aggressive purposes (for volatility and wide range of fluctuation). The chief factor determining the fluctuating principle of high grade bonds is interest rates, and of stocks, general business conditions. There are secondary factors, however, which must be taken into consideration. While the fluctuating principle in high grade bonds is restricted almost solely to interest rates, in the case of lower grade (credit) bonds general business conditions and the earnings of the issuing corporations are also determining factors. The fluctuating principle in stocks is influenced by general business conditions, earnings of the corporation in question, dividend policy, stability of the enterprise, and technical conditions within the market. The fluctuating principle is sometimes a special factor; thus, a convertible bond is subject to fluctuation in accordance with the movement of the stock into which it is convertible.

To illustrate comparative Defensive and Aggressive qualities for different types of securities, and thus indicate the extent of the fluctuating principle, the following tabulation, prepared June, 1947 by Boston Fiduciary and Research Associates, research organization of The Keystone Company of Boston, is reproduced:

Major Investment Purpose	Classes of Securities	Average Annual Fluctuation	Approx. Current Return(4)
	Uninvested Cash	0	0
Reserves	U.S.Gov't.Bonds (1)	5%	1.5%
	High-Grade Bonds(2)	7%	2.6%
	Good-Grade Bonds	11%	3.0%
	Medium-Grade Bonds	18%	4.0%
Income	Low-Priced Bonds	22%	4.5%
	Good-Grade Preferreds	27%	5.0%
	High-Return Bonds	28%	5.0%
Income and Growth	High-Grade Commons	31%	3.3%
	Good-Grade Commons	36%	5.0%
	Leading Speculative Commons	54%	3.0%
Growth	Speculative Preferreds	55%	2.0%
	Lower-Priced Commons	67%	1.0%
	Defaulted Bonds(3)	54%	0

Notes: Average annual fluctuation figures represent average annual fluctuation on low price of each year for past nine years (prepared June, 1947). These figures are included to indicate speed of move of the various classes. The actual move in any one year may be greater or less than the average figure.

Sources: Standard & Poor's indices:
(1) U. S. Gov't. Long-Term Tax Exempts.
(2) Composite Index A1 Corporate Bonds.
(3) Index of Defaulted Bonds.
Others: Sales prices of indicated Keystone Funds.
(4) Approximate - as of June, 1947; included to indicate the typical relationship of the return from various classes.

FLUCTUATION

The variation in prices up and down. One-eighth point is the smallest variation in price recognized on the New York Stock Exchange, for both stocks and bonds.

FLUID ASSETS

See Current Assets.

FLUID CAPITAL

See Floating Capital.

FLURRY

A commotion in prices; a sudden and sharp advance or decline of prices on a stock market or commodity exchange, due to temporary alarm or enthusiasm, e. g., a sharp advance in money rates, a favorable political event, etc. A flurry is of short duration, without effect on fundamental market conditions, and produces no lasting effect.

FLUSH PRODUCTION

A term applied to an oil well or to the oil properties of a company to indicate that the period of time which it will last and the rate of output is uncertain; unsettled production.

FLY-BY-NIGHT CORPORATION

A stigmatic term used with reference to a business organized to exploit a highly speculative, unsound or temporary venture and controlled by officers who have little or no moral or financial responsibility; a corporation having a shady personnel and which is not likely to succeed and therefore likely to be of short duration. The term is especially used among bank credit men of a corporation of doubtful or worthless credit standing, without any of the elements necessary to make a good credit risk and therefore not entitled to credit.

FOR A TURN

An expression used to indicate a speculative purchase or sale for the purpose of making a small but quick gain.

FOR CASH

Securities or commodities purchased outright for transfer and delivery immediately, for which cash is paid in full. Deliveries of securities purchased for cash must be made by seller to buyer on day of the sale.

FORCED CIRCULATION

Fiat money; money which is not supported by a specific reserve, but which is decreed to be legal tender in payment of all debts and forced into circulation. This type of money has not been in circulation in this country since the Civil War.

FORCED LIQUIDATION

Urgent selling; when owners of securities or commodities are obliged to sell their holdings for cash in order (1) to obtain funds necessary for other purposes; (2) because carrying charges (usually interest rates) have advanced so that it is no longer profitable to hold them; (3) to prevent the complete exhaustion of margins in case of a falling market; or (4) to stop further loss.

FORCED SALE

A sale of property or assets compelled by certain circumstances such as (1) sale of mortgaged property in default as a result of foreclosure, for the purpose of satisfying mortgagees; (2) voluntary sale of a debtor's property to satisfy creditors; and (3) sale of merchandise to prevent moving it to another site in the case of expiration of a lease. Forced sales may be accomplished by means of an auction, closing out sales, etc., it being generally understood that the owner must make some sacrifice in order to realize quickly. (See Forced Liquidation.)

FORECASTING

See Business Barometers, Business Cycle, Business Forecasting Services.

FORECLOSURE

A legal term to denote the process of law by which the right of a mortgagee, or anyone having interest in a mortgage (such as a mortgage bondholder) when the conditions of the mortgage have been violated, to compel the mortgagor to redeem the pledge or to forfeit his right of redemption. It is a privilege given to the mortgagee upon default in the payment of interest or principal of a mortgage to enforce payment of the debt by selling the property which it secures. In most states the property covering the mortgage may be sold under a power contained in the mortgage itself, but in other states, the mortgagee must apply to equity courts for an order for foreclosure. The proceeds of sale of mortgaged property are applied first to the indebtedness secured by the mortgage and the foreclosure expenses, and the balance is paid to the mortgagor.

It is not always possible in a foreclosure sale to realize a sufficient sum to satisfy the mortgagee in full. In this event the mortgagee has a claim against the mortgagor for the deficiency. (See Deed of Trust, First Mortgage Bonds, Mortgage.)

FOREIGN AGENCIES

Agencies of domestic banks located in foreign countries. A National bank is authorized to establish agencies, as distinguished from branches, for specific purposes, but not to carry on a general banking business, in foreign countries. Federal Reserve banks may, with the approval of the Federal Reserve Board of Governors, establish foreign agencies or correspondents, and open and maintain accounts with them for the purpose of purchasing, selling and collecting bills of exchange. Federal Reserve banks may also open and maintain accounts for, and act as agents of, foreign banks established in this country. Under the Banking Act of 1933, the Board of Governors shall exercise special supervision over all relationships and transactions of any kind entered into by any Federal Reserve Bank with any foreign bank or banker, or with any group of foreign banks or bankers, and all such relationships and transactions are subject to regulations of the Board of Governors.

FOREIGN BANKING CORPORATIONS

Corporations organized under the Edge Act (q. v.) and the various state banking laws to engage in the foreign banking business. The powers of these corporations, described under Edge Act, are practically the same whether organized under federal or state jurisdictions. Their purpose is to stimulate foreign trade by providing a machinery for extending credit to importers and exporters for periods longer than is permitted by sound commercial banking practice. These corporations relieve the commercial banks from carrying the entire burden of financing foreign trade, setting them free to concentrate in the business for which they were originally designed—to finance domestic trade.

With the decline in foreign banking activities of American banks, less than half a dozen Edge Act corporations were organized, and only one has been active in recent years.

Foreign banking corporations organized under the laws of other nations with branches established in this country, must comply with the laws of the state in which such branch is located. Usually a license fee, evidence of authority from the nation of incorporation, and consent to submit reports upon request, are required.

FOREIGN BANKING SYSTEMS

See Bank of Canada, Bank of England, Bank of France, Bank of Germany, Canadian Banking System, Central Banks.

FOREIGN BILL

See Inland Bill.

FOREIGN BILLS OF EXCHANGE

First read Bill of Exchange.

Bills of exchange drawn on a foreign drawee, and pay-

able in a foreign country. They are the chief means by which settlements are made in international trade. Foreign bills of exchange are classified in many different ways, giving rise to much confusion among laymen, due to the fact that these classifications are not mutually exclusive, but on the contrary, overlap.

Five important classifications follow:

I. As to Class of Maker
  1. Government or Official Bills.
  2. Bankers' Bills (including traveler's checks).
  3. Commercial Bills.
  4. Express Company Drafts.
  5. Shipping Bills.
  6. Postal Money Orders.

II. As to Maker's Purpose and Types of Transactions out of Which Bills Arise
  1. Drawn against Funds, Balances, or Accounts.
    a. Cables.
    b. Checks.
    c. Commercial Bills.
  2. Drawn for Borrowing Purposes.
    a. Finance Bills.
    b. Reimbursement Bills.
  3. Drawn against Merchandise.
    a. Cotton Bills.
    b. Steel Bills.
    c. Grain Bills.
    d. Breadstuffs Bills.
    f. Machinery Bills, etc.
  4. Drawn against Services.
    a. Ocean Freight Bills.
    b. Marine Insurance Bills.
    c. Bankers' Commissions Bills.
    d. Merchants' Commissions Bills.
    e. Manfors' Drafts.
  5. Drawn against Securities.
    a. Purchase and sale of stocks and bonds.
    b. Dividend and interest remittances.

III. As to Security
  1. Clean Bills.
  2. Documentary Bills (shipping documents attached).
  3. Bills with securities or other valuable documents attached (including insurance policies, matured coupons, bonds, mortgages, etc.).

IV. As to Maturity. (Time of Payment.)
  1. Cables.
  2. Sight, Demand, or Presentation Bills (checks).
  3. Arrival Bills (shipping documents attached).
  4. Time Bills.
    a. Short Bills (less than 30 days after sight or date).
    b. Long Bills (30 days or more after sight or date).
    c. Days after date Bills.

V. As to Domicile. (Place of Payment.)
  1. Domestic Bills in foreign currency.
  2. Foreign Bills payable in—
    a. Dollars.
    b. Sterling.
    c. European Decimal Currencies.
    d. Other Countries.

None of the above classifications is mutually exclusive, and it is possible, for instance, to have a 60 day sight bill, drawn in sterling on a commercial house, supported by documents growing out of a shipment of cotton, and payable in London. This may be referred to as a foreign bill, sterling bill, commercial bill, documentary bill, long bill, time bill, or cotton bill. It is each and all at the same time.

The following is a general classification of foreign bills:

1. Commercial Bills.
  1. Documentary Bills.
    a. Short (demand or within 30 days sight).
      1. Documents against acceptance Bills.
        a. Discountable abroad.
        b. Held abroad until maturity without discount.
        c. Not discountable abroad because not in native currency.
      2. Documents against payment Bills—not discountable abroad.
      3. Documents on arrival—not discountable abroad on account of indefinite maturity.
    b. Long (30 days sight or more.)
      1. Documents against acceptance Bills.
        a. Discountable abroad.
        b. Held abroad until maturity without discount.
        c. Not discountable abroad because not in native currency.
      2. Documents against payment—rarely over 90 days.
      3. Days after date Bills.
        a. Discountable abroad.
        b. Held abroad until maturity without discount.
        c. Not discountable abroad because not in native currency.
  2. Clean Bills.
    a. Cables.
    b. Checks.
    c. Sight, Demand, or Presentation Bills.
    d. Time Bills.
      1. Discountable abroad.
      2. Held abroad until maturity without discount.
      3. Not discountable abroad because not in native currency.

II. Bankers' Bills.
  1. Tenor (term).
    a. Cables.
    b. Checks.
    c. Short Bills (within 30 days sight).
    d. Long bills (30 days sight or more).
  2. Purpose.
    a. Against current balances.
    b. Against open credits—Finance Bills.

(See Banker's Bill, Clean Bill of Exchange, Commercial Bills, Documentary Bills, Documentary Commercial Bills, Domicile, Grain Bills, Finance Bills, Foreign Exchange, Sterling Bills.)

FOREIGN BONDHOLDERS ACT OF 1933

Under Title II of the Securities Act of 1933, provision was made for the creation of a Corporation of Foreign Security Holders, to be effective when the President of the United States "finds that its taking effect is in the public interest, and by proclamation so declares." It was contemplated that the activities of the new corporation would be similar to those of the British Corporation of Foreign Bondholders, which has an official status in negotiating with foreign issuers.

The Act states that the corporation shall be created "for the purpose of protecting, conserving and advancing the interests of the holders of foreign securities in default."

The Secretary of State, however, advised the President that some of the foreign nations whose bonds were in default would regard the creation of such an official

corporation as an unfriendly act. In fact, Title II was not contained in the original Administration draft of the Securities Act, and was added on the floor of the Senate at the instance of the late Sen. Hiram Johnson of California, who had been responsible for the Senate Finance Committee's investigation of sale of foreign bonds in the United States.

Instead of the official corporation provided by the Act, the unofficial Foreign Bondholders' Protective Council, Inc. (q. v.) was organized in 1933.

FOREIGN BONDHOLDERS' PROTECTIVE COUNCIL, INC.

Organized in 1933 in a non-official capacity, and without benefit of diplomatic sanctions, to represent American holders of foreign bonds in default. The Council was organized instead of the corporation of foreign security holders having official status provided for by Title II of the Securities Act of 1933. The Council is the sole nationally accredited bargaining agency to represent American holders of foreign securities. (See Foreign Dollar Bonds.)

FOREIGN BONDS

See External Bonds, Foreign Corporate Bonds, Foreign Government Bonds, Foreign Municipal Bonds, Insular Bonds, Internal Bonds.

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FOREIGN BRANCHES

Branches of domestic banks located in foreign countries or branches of foreign banks located in this country.

National banks possessing a capital and surplus of $1,000,000 or more may file application under Section 25 of the Federal Reserve Act with the Board of Governors of the Federal Reserve System for permission to establish branches in foreign countries or dependencies or insular possessions of the United States for the furtherance of the foreign commerce of the United States, and to act if required to do so as fiscal agents of the United States. During the period 1914-1920, the number of foreign branches of American banks increased sharply from 26 to 181, but subsequently declined steadily, and at the close of 1945, seven member banks were reported to be operating 72 branches in 20 foreign countries and dependencies or possessions of the United States. Of these, 42 branches were located in 10 Latin American countries; 12 in insular possessions and dependencies of the United States; 10 in England; 2 in continental Europe; and 6 in the Far East. This contrasts with large number of foreign branches of the Canadian banks (see Canadian Banking System).

FOREIGN COLLECTION ITEMS

See Foreign Collections.

FOREIGN COLLECTIONS

A term which includes two classes of items: (1) bills of exchange payable abroad and taken by a bank for collection only, i. e., for credit (or payment) to the account of the customer only when and if paid abroad; and (2) bills of exchange payable in the United States taken from foreign correspondents for credit (or payment) to their accounts only when and if paid. The former are sometimes called "outgoing" or "export" collections, and the latter, "incoming" or "import" collections.

Foreign collection items consist of commercial bills of exchange with and without documents attached, money orders, matured bond coupons, matured bonds and bonds called for redemption, travelers' checks, etc. Commercial bills taken for collection arise through the fact that the drawer has no established line of credit, is unable to give adequate guarantees, and therefore cannot sell his bills, or that the goods against which the bill is drawn have been sold on a C. O. D. basis, or that the maker or indorser of the bill desires to earn interest on the bill that would have been surrendered through its sale or discount. Frequently interest is added to the face of time bills taken for collection for the time elapsing between its presentation to the drawee and the approximate due date of the arrival of the return remittance to the collecting bank in this country.

FOREIGN CORPORATE BONDS

Bonds of business corporations of foreign countries. Several investment houses in New York City specialize in these issues, maintaining or quoting markets for them in American funds. Most foreign exchange rates for internal securities imposed by exchange controls vary substantially from the official foreign exchange rates. For example, the approximate rate for internal securities in Great Britain (early 1948) is $1.80 to $1.85 per Pound, compared with $4.03 per Pound official foreign exchange rate. This factor is reflected in market quotations in New York City.

FOREIGN CORRESPONDENTS

A bank in a foreign country selected to act as agent for a domestic bank, and in which balances are maintained. (See Correspondent.)

FOREIGN CROWD

That division of the New York Stock Exchange which trades in foreign dollar bonds. Most of these issues are of foreign governmental bodies (nations, states and municipalities), as American investment in foreign securities has been confined largely to public issues. (See Foreign Bonds.)

FOREIGN CURRENCIES

See Foreign Moneys.

FOREIGN CURRENCY BONDS

Bonds of foreign countries issued and payable (both interest and principal) in the currency of that country, but sometimes traded in outside the country of issue. Such bonds are normally intended for purchase by investors in the country of issue, and are to be distinguished from Foreign Dollar Bonds (q. v.). They are also sometimes known as Internal Bonds (q. v.). When bought outside the country of issue, the purchaser takes the risk of exchange fluctuations, the price of the bonds being adjusted to changes in the exchange rate of the currency in which they are issued. (See Foreign Corporate Bonds, Foreign Dollar Bonds, Foreign Government Bonds, Insular Bonds, Internal Bonds.)

FOREIGN DEPARTMENT

The department of a bank or trust company which handles that part of the business which originates in, or is destined to, a foreign country. A completely equipped

foreign department is prepared to perform practically all the banking operations that a domestic banking department performs, except in smaller volume, and its scope is therefore as broad as the banking business itself.

The chief functions of a foreign department are: (1) to discount and make advances against clean and documentary bills of exchange drawn against banks, corporations, firms, and individuals in foreign countries; (2) to issue commercial and travelers' letters of credit; (3) to accept bills of exchange drawn under letters of credit; (4) to buy and sell gold bullion; to buy and sell foreign coin and currency; (5) to sell checks, mail payments, money orders, and cables on foreign banks; and (6) to collect bills of exchange, checks, foreign bonds and coupons, money orders, etc

The chief "desks" or sections of a foreign department are: (1) Exchange Bought; (2) Exchange Sold; (3) Commercial Sight Credits; (4) Commercial Acceptance Credits; (5) Travelers' Checks and Letters of Credit; (6) Foreign Collections; and (7) Foreign Coin and Currency.

The foreign department is usually operated as if it were a bank in itself. The bank places a certain sum for investment in foreign operations, e. g., balances abroad, discounting bills of exchange, etc., for which the manager of the foreign department is accountable. A separate set of books and general ledger is maintained, which must at all times tie up with the books of the general bookkeeping department. (See Foreign Exchange.)

FOREIGN DEPARTMENT, CLEARING HOUSE

Formerly the department of a clearing house association, which collected checks for its members over a wider territory than the city in which it was located, e. g., foreign department of the Boston Clearing House, which before the inauguration of the Federal Reserve check collection system in July, 1916, collected all New England checks. Other clearing house associations also formerly maintained foreign departments, but have been superseded by the Federal Reserve Check Collection System (q. v.).

FOREIGN DEPOSITS

Deposits payable only at an office of the bank located outside the States of the United States, the District of Columbia, Hawaii, Alaska, Puerto Rico, and the Virgin Islands shall not be included as insured deposits, under the terms of the deposit insurance section of the Federal Reserve Act, Section 12B. Any insured bank, however, having its principal place of business in any of the States of the United States or in the District of Columbia which maintains a branch in Hawaii, Alaska, Puerto Rico or the Virgin Islands may elect to exclude from deposit insurance its deposits which are payable only at such branch.

In computing net demand deposits subject to reserve requirements, net demand deposits are defined by the Banking Act of 1935 as the excess of all demand deposits, including deposits due to other banks and the U. S. Government, over demand balances due from other domestic banks (except Federal Reserve Banks, foreign banks or branches thereof, foreign branches of domestic banks, and private banks) and cash items in process of collection.

The prohibition of interest on demand deposits contained in the Banking Act of 1933 does not apply to any deposit which is payable only at an office of the bank located outside of the States of the United States and the District of Columbia.

In preparing its call report, a member bank operating foreign branches reports the aggregate net amount due from its foreign branches in "other assets" and the aggregate net amount due to its foreign branches in "other liabilities." A balance due from a foreign branch of another member bank is regarded as a balance with a foreign bank, while a balance due from an American branch of a foreign bank is regarded as a balance with a domestic bank.

FOREIGN DOLLAR BONDS

Bonds issued by foreign governments, foreign municipalities, or business corporations of foreign countries, payable both as to principal and interest in American dollars. These bonds are sometimes known as External Bonds (q. v.). New foreign securities issued in the United States during the period 1923-1929 are estimated to have totaled $8,016 million, compared with $5,613 million in the period July 1, 1914-1922, and $1,520 million in the period 1930-1933. (See Foreign Corporate Bonds, Foreign Government Bonds.)

FOREIGN EXCHANGE

The mechanism by which commercial, investment, and other transactions between countries are settled. While foreign exchange is usually defined as comprehending all those transactions that are concerned with the purchase and sale of the money for foreign countries, it is more accurately described as the transferring of credits or debits through their banks by individuals or corporations in one country, by obtaining credits or debits on the books of banks in other countries, which are correspondents or branches of the banks through which transmission is arranged.

Transmission of foreign exchange may take the form of a Cable Transfer (q. v.), commercial or bankers' bills of exchange (see Foreign Bills of Exchange), international postal money orders (see Money Orders), Mail Payments (q. v.), Travelers' Cheques (q. v.), and Travelers' Letters of Credit (q. v.). While foreign exchange, and not foreign money, is normally used in the settlement of international transactions, yet each foreign exchange instrument mentioned above is convertible into the currency of the country in which it is made payable.

Thus, foreign exchange is a method of effecting payments in a foreign country without the actual shipment of gold, although the latter is practically the only universally acceptable medium for the settlement of balances arising among countries in their trading interrelations. Gold shipments, however, are reduced to the minimum, since a nation's exports are largely offset by its imports, or vice versa.

Foreign exchange is closely akin to domestic exchange, and is arranged through the maintenance of reciprocal balances by banks engaging in the business. For example, leading New York and London banks maintain accounts with each other, just as many country banks in the United States keep balances with a New York correspondent. The difference is that the New York bank keeps a balance with its London correspondent in pounds sterling, and the London bank keeps a balance with its New York correspondent in dollars. By this arrangement, it is possible for the New York bank to sell its customers—importers for example—who owe money in

London, bills of exchange dr[illegible]n favor of London exporters. When the London e[illegible]er receives the bill of exchange, he presents it for [illegible]ent or credit to his account, whereupon the London [illegible] reduces the balance maintained with it by the Ne[illegible]k correspondent. Should the sum total of bills [illegible] a New York bank sells against its balance in [illegible]n equal the sum total bought for building up its [illegible]account, then no settlement is required. But i[illegible]w York bank sells more bills on London than it [illegible] then it will deplete the balance to its credi[illegible]London bank. This can be replenished by (1) shi[illegible]l, (2) buying London exchange from anothe[illegible]bank, or (3) borrowing in London.

Foreign exchange di[illegible]omestic exchange in another important respe[illegible]npossible for an individual or corporation i[illegible] States, for instance, to settle a foreign ob[illegible]awing a check on a local bank in favor of [illegible]eller. This is true because (1) the chec[illegible]ly in the currency of the United States, a[illegible]t of the individual is not sufficiently well kn[illegible]credit, especially of the larger institution[illegible]however, is established internationally; s[illegible]xchange facilities of these banks must be [illegible]execute transfers of credits and debits abr[illegible].

Exchange is accu[illegible]anks in the United States may establish [illegible]heir credit balances with correspondent b[illegible] the following ways: (1) by purchasing bill[illegible]arising out of merchandise exports and [illegible]em abroad for collection and credit; (2[illegible]g bills of exchange arising out of the sal[illegible] securities abroad; (3) by borrowing from [illegible]s (see Finance Bills); and (4) by shipping go[illegible].

Exchange is sold, v[illegible]es maintained by banks in the United St[illegible]e reduced, in response to the followi[illegible]emand: (1) importation of merchandise; [illegible] foreign securities by American investor[illegible]f funds in the foreign markets; (4) [illegible]ous Invisible Imports (q. v.); (5) paym[illegible]s, e. g., ocean freight and marine ins[illegible]s; (6) immigrants' remittances. For the s[illegible]balances between two countries see Bala[illegible].

Foreign exchange ra[illegible]t to constant fluctuation, but unless a natio[illegible] settle its trade balances in gold, free a[illegible]ed commercial rates can fluctuate only [illegible]n defined limits above or below the Min[illegible]ange (q. v.). This differential or range o[illegible] upper limit of which is called the "go[illegible]t" and the lower limit "gold import poi[illegible]ined itself by a variable, consisting of [illegible] following costs: (1) loss of interest on [illegible]in ocean transit; (2) ocean freight charg[illegible] (and war risk) insurance charges; (4) pa[illegible]acking charges; (5) bullion broker's pr[illegible]minal haulage charges.

Market quotations wi[illegible]reciably above the mint par of exchange, s[illegible]n exchange banks, seeing an opportunity f[illegible]sell bills of exchange against shipmen[illegible]nversely, if market quotations fall too far b[illegible]par, these banks will buy bills of exchang[illegible]e importation of gold.

Within the normal lim[illegible] the Gold Points (q. v.) as explained abov[illegible]hange rates will constantly fluctuate. Such fluctuations are caused by the variations in the supply and demand of bills in the foreign exchange market. Foreign shipping is somewhat seasonal in character and whenever exports largely exceed imports, a correspondingly larger volume of bills is offered for sale than there are orders to buy. In absorbing the excess of bills to be purchased, rates tend to fall. Conversely, when imports exceed exports the demand for bills is greater than the amount offered for sale, and rates tend to rise.

This normal limitation in the fluctuation of exchange rates is predicated upon the free movement of gold among countries. If, for any reason, a nation declares an embargo upon gold exports, or if its gold reserves are so depleted that it can no longer settle its trade balances in gold, or if it sets up exchange control mechanisms designed to restrict the free fluctuation of exchange, then the normal limitations of rate variation are no longer valid, and market rates will be arbitrarily fixed by exchange controls. In recent decades of unsettled budgets, adverse balances of trade, loss of gold and exchange difficulties, many nations have imposed regulations to stop free trading in currencies, exchange or bullion, or to restrict such trading so as to prevent or modify fluctuations in exchange. The International Monetary Fund (q. v.) is designed among other purposes to bring stability to exchange rates and prevent international races in currency depreciation. (See Arbitrage, Buying Rate, Cable Rate, Check Rate, First of Exchange, Foreign Collections, Foreign Bills of Exchange, Foreign Exchange Market, Foreign Moneys, Foreign Government Bonds, Letters of Credit, Long Rate, Marine Insurance Certificate, Position Sheet, Short Rate.)

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FOREIGN EXCHANGE BROKER

A bank, foreign exchange house, or dealer, that buys and sells foreign exchange.

FOREIGN EXCHANGE MARKET

There is no formal market or exchange where foreign exchange is traded in. The market consists of the large New York banks and other banks of the United States and the rest of the world which are in direct

cable communication with one another, also various investment houses, and foreign exchange brokers and dealers. In New York City, the principal foreign exchange houses are in direct contact with one another through a system of private, as well as public, wires. Since London time is five hours ahead of New York time, the cue for each day's rates is normally taken from London quotations.

FOREIGN EXCHANGE RATES

See Foreign Exchange, Foreign Moneys.

FOREIGN EXCHANGES

The English equivalent for foreign exchange. (See Exchanges.)

FOREIGN FUNDS CONTROL

Instituted by the Secretary of the Treasury under authority of Executive Order of April 10, 1940, following the invasion of Denmark and Norway by Germany. In accordance with this authority, the Treasury issued Regulations governing the declaration, freezing and licensing of transfers of assets of the nationals of the invaded countries.

Subsequently, foreign funds control was extended to assets of nationals of Germany and Japan in June and July, 1941, and when the United States entered World War II, the Treasury Regulations were integrated with the Trading with the Enemy Act, as amended by the First War Powers Act, 1941, which contemplated not only foreign funds control but complete stoppage of trade relations, direct or indirect, with enemy countries or enemy dominated countries. Since the end of the war, amendments and rescissions have eased or eliminated wartime restrictions.

FOREIGN GOVERNMENT BONDS

Bonds which are a direct obligation of a foreign government. These bonds are of two classes: (1) External Bonds (q. v.)—those marketed, intended for investment by investors in another country, and payable both as to principal and interest in the currency of that country; and (2) Internal Bonds (q. v.)—those marketed primarily in the country of issue, and payable in the currency of that country. The external bonds of foreign countries which have been marketed in the United States are also known as dollar bonds. The market for this class of bonds expanded greatly following World War I, and practically all of the European and South American nations, and some of the Asiatic countries borrowed in the American market by means of selling their external bonds. A few foreign government issues are payable in several currencies, and are known as Multiple-Currency Bonds (q. v.). In addition to foreign (national) government bonds, there were many foreign municipal issues floated in the American market.

As to security, foreign government bonds may be divided into two classes: (1) promises to pay or certificates of indebtedness without collateral; and (2) those secured by a pledge of specific assets. Most issues are of the former type. The latter type is exemplified by the old borrowings, such as the secured debt of Mexico (examples are the Cons. 5s, 1899, and Gold 4s, 1910), secured by specific revenues.

As investments, the value of these bonds depends upon the same factors as United States bonds, i. e., upon the good faith, honor, political stability, state of industrial advancement, and commercial ability of the issuing government. It is sometimes objected that government bonds, not being subject to foreclosure, are inferior to mortgage bonds, since in case of default, there is no remedy at law. For a government to default in the payment of its bonds, however, would ordinarily be credit suicide. With its credit standing undermined, it would be compelled to do without funds from outside sources, until it had paid its debts, and restored its credit. Once a government's credit has been impaired, a long time would be required to rehabilitate it. New funds, moreover, would be obtainable only at high rates of interest.

The record of foreign government bonds sold in the United States is not an enviable one. Russian and Mexican bonds have been in default for many years. In the world collapse of 1929-1933, interest was defaulted by a number of South American countries, and subsequently, World War II conditions compelled default on European issues of various nations.

The countries having dollar issues outstanding (early 1948) are as follows:

Latin America: Bolivia, Brazil, Chile, Colombia, Costa Rica, Cuba, Mexico, Panama, Peru, El Salvador and Uruguay.

Europe: Axis Countries (trading in enemy securities was suspended in the United States immediately upon official declarations of war, and has not been resumed as yet (early 1948) for issues of Austria, Bulgaria, Germany, Hungary and Rumania, although resumed for issues of Italy December 23, 1947), Belgium, Czechoslovakia, Denmark, Finland, France (less than $1,500,000 of the $7,400,000 in 7s of 1949 are reported held in the United States), Greece, Netherlands, Norway, Poland, Russia (trading still goes on in the Czarist Government 6 1/2s and 5 1/2s issued in 1916), and Yugoslavia.

Far East: Australia, Japan (trading in Japanese bonds was suspended December 11, 1941 and has not yet been resumed).

(See Foreign Corporate Bonds, Insular Bonds.)

FOREIGN INVESTMENTS

Although long term estimates of American foreign investments vary according to source, official or unoffical, a survey by Mr. George N. Peek, Special Adviser to the President on International credits for foreign trade, estimated total American foreign investments increased from $500 million July 1, 1896 to $1 1/2 billion July 1, 1914; $18 1/2 billion December 31, 1922; $25.7 billion December 31, 1929; and $25.2 billion at the close of 1933 (see Tables I and II appended herewith).

The U. S. Department of Commerce (International Economics Unit) also compiles estimates of United States long term investments in foreign countries, and these are combined by the Board of Governors of the Federal Reserve System with its figures on short term investments to form the series, International Capital Position of the United States.

The Board of Governors, in its series Net Capital Movement to United States Since January 2, 1935, publishes current cumulative changes in net flow of capital movements arising from various types of international transactions. Formerly, this series was reported weekly, but commencing with July, 1942, has been reported monthly. From January 2, 1935 through December 31, 1947, this series shows a net capital movement to the United States of $8,316.2 million, consisting of the following types of funds: foreign banking funds in the United States, $4,120.3 million; increase in funds of

Tables Analyzing Effect of International Investments on the Debtor-Creditor Status of the United States
(Prepared by George N. Peek, Special Adviser to the President, and Submitted in Report dated August 30, 1934)

TABLE I

International Investments of the United States

	United States Loans to and Investments in Foreign Countries	Foreigners' Investments in the United States	Balance United States Net Debtor or Net Creditor
Total investments July 1, 1896	$500,000,000	$2,500,000,000	*2,000,000,000
Net increase or decrease, 1896-1914	1,000,000,000	2,000,000,000	*1,000,000,000
Total investments July 1, 1914	1,500,000,000	4,500,000,000	*3,000,000,000
Net increase or decrease, 1915-22	†17,083,000,000	*2,222,000,000	19,305,000,000
Total investments Dec. 31, 1922	18,583,000,000	2,278,000,000	16,305,000,000
Net increase or decrease, 1923-29	7,140,000,000	4,568,000,000	2,572,000,000
Total investments Dec. 31, 1929	25,723,000,000	6,846,000,000	18,877,000,000
Net increase or decrease, 1930-33	*521,000,000	*2,289,000,000	1,768,000,000
Indicated total investments Dec. 31, 1933‡ (before adjustments)	25,202,000,000	4,557,000,000	20,645,000,000
RECAPITULATION			
Total investments July 1, 1896	$500,000,000	$2,500,000,000	*$2,000,000,000
Net increase in total investments, 1896-1933	24,702,000,000	2,057,000,000	22,645,000,000
Total investments Dec. 31, 1933	25,202,000,000	4,557,000,000	20,645,000,000

*Decrease
†Includes U. S. Government's loans to foreign governments (war debts), $10,304,000,000.
‡Totals at end of each period and at Dec. 31, 1933, represent approximate totals. They are subject to certain adjustments such as unpaid interest on war debts and other unsettled items.

TABLE II

International Investments of The United States
(Figures in millions of dollars)

United States Investments in Foreign Countries	July 1, 1896-June 30, 1914	July 1, 1914-1922	1923-1929	1930-1933	Total 1896-1933
Gross loans and investments	$1,000	$20,313	$12,429	$3,133	$36,875
Made up of—					
New foreign securities issued in the United States	*	5,613	8,016	1,520	15,149
Foreign stocks and bonds bought from foreigners	*	826	1,271	1,618	3,715
New direct investments made in foreign countries, net	*	3,300	1,845	530	5,675
Increase or decrease in short-term investments, net	*	270	1,297	†535	1,032
U. S. Government loans to foreign governments (war debts)	....	10,304	....	....	10,304
Detail not available for July 1, 1896-June 30, 1914	1,000	....	....	....	1,000
Deductions from gross loans and investments	....	3,230	5,289	3,654	12,173
Made up of—					
Foreign stocks and bonds bought back by foreigners	....	86	1,964	2,416	4,466
Redemption and sinking-fund payments received	....	1,941	1,471	801	4,213
Foreign securities refunded	....	707	1,240	357	2,304
Bond discounts and commissions	....	496	614	80	1,190

TABLE II Continued

United States Investments in Foreign Countries	July 1, 1896- June 30, 1914	July 1, 1914- 1922	1923- 1929	1930- 1933	Total 1896- 1933
Net increase or decrease in United States loans to and investments in foreign countries	1,000	17,083	7,140	†521	24,702
United States loans to and investments in foreign countries at beginning of each period	500	1,500	18,583	25,723	500
United States loans to and investments in foreign countries at end of each period	1,500	18,583	25,723	25,202	25,202

*Detail not available
†Decrease.

nternational institutions in the United States, $2,237.0 million; decrease in United States banking funds abroad, $174.6 million; return of United States funds in foreign securities, $1,274.9 million; inflow of foreign funds into domestic securities, $367.0 million; and inflow of foreign funds into brokerage balances, $142.4 million. Current figures on this series are reported in the Federal Reserve Bulletin.

These figures do not fully reflect Governmental activities in outflow of funds, which have been substantial, both during the War and in the post-War period. Thus, during the War, Lend-Lease furnished goods and services to foreign countries valued at over $50 billion, and credits arranged to cover goods on hand or in pipelines when Lend-Lease terminated, totaled another $1 1/2 billion. Surplus military property disposed of on credit terms in foreign countries totaled another $1 1/4 billion. UNRRA (United Nations Relief and Rehabilitation Administration) contributions by the United States totaled some $2.7 billion, or about 70% of the total. Import Export Bank authorization for loans totals $3 1/2 billion. The United Kingdom loan totaled $3 3/4 million. The United States contribution to the assets of the International Monetary Fund was $2 3/4 billion. Total loan commitments of the International Bank for Reconstruction and Development for European countries are $497 million. In addition, the European Recovery Program (q. v.) will involve further substantial siphoning of United States funds into foreign countries. For the interrelation of these items and their net effect on balance of payments, see Foreign Trade.

FOREIGN ITEMS

Checks, drafts, bills of exchange, etc., which are payable in a foreign country. This term is also quite generally employed in banking practice to apply to checks, notes, drafts, etc., which are drawn and payable within the United States, but payable at a point outside the place where they are deposited. In other words, this term is often used synonymously with transit items, and out-of-town items.

FOREIGN LIQUIDATION

The selling of American securities by foreign holders or speculators. During World War II, requisitioning of American security holdings by foreign governments held by their nationals has centralized such holdings and has made their potential liquidation a market factor.

The New York Federal Reserve Bank in its Monthly Bulletin for September, 1947 estimated the market value of foreign holdings of American securities at $3,500 million, as compared with $2,700 million value found by the U. S. Treasury's census of foreign owned assets as of June 14, 1941. The increase, estimates the Bank, was entirely caused by rise in market value, and aggregate net sales have been small, with securities worth $234 million (at market prices) having been sold in the first year after VE-Day and $223 million in the following year. Such liquidation represented largely the sale of British and Canadian holdings, with some liquidation also by Dutch and Latin American sources. The Bank noted the probability of additional liquidation, however, in view of the encouragement by foreign governments to repatriate the funds, requisitioning of holdings of French citizens by France, and a census of holdings by Sweden.

Distribution of holdings as of September, 1947 was estimated by the Federal Reserve Bank of New York as follows: Europe, $2,100 million (largely United Kingdom, $600 million, part of which was still pledged as collateral for the Reconstruction Finance Corporation loan granted in July, 1941, of which $205 million was still outstanding as of March, 1947; Netherlands, $400 million; and France, $250 million); Canada, $600 million; others, $800 million.

FOREIGN MONEYS

Post-war par values of foreign moneys have been agreed on through the International Monetary Fund (q.v.), one of whose specific functions is to promote exchange stability and avoid competitive exchange depreciation.

Each of the 45 member nations of the Fund has a quota, which determined the subscription of each member, and also sets the voting power and limitation on use of the Fund's resources by each member. Subscriptions were equal to the quotas, and were payable upon establishment of a member's par value, partly in gold and partly in the member's currency. The portion payable in gold was either 25% of the member's quota, or 10% of its net official holdings of gold and U. S. dollars, whichever was less.

Once par values have been established, members are under an obligation not to make any change in their exchange rates without consultation with the Fund. No objection by the Fund is made if the change does not exceed 10% of the original par value. If the par value of a

Table I.

Par Values of Member Currencies,
International Monetary Fund

(as of the end of April, 1948)

Metropolitan Areas

Member	Currency	Grams of Fine Gold per Currency Unit	Currency Units per Troy Ounce of Fine Gold	U. S. Cents per Currency Unit	Currency Units per U. S. Dollar
Australia	Pound	2.865 07	10.8561	322.400	.310 174
Belgium	Franc	.020 276 5	1,533.96	2.281 67	43.827 5
Bolivia	Boliviano	.021 158 8	1,470.00	2.380 95	42.000 0
Brazil	Cruzeiro	. . . . . Par Value not yet established			
Canada	Dollar	.888 671	35.000 0	100.000	1.000 00
Chile	Peso	.028 666 8	1,085.00	3.225 81	31.000 0
China	Yuan	. . . . . Par Value not yet established			
Colombia	Peso	.507 816	61.249 5	57.143 3	1.749 99
Costa Rica	Colon	.158 267	196.525	17.809 4	5.615 00
Cuba	Peso	.888 671	35.000 0	100.000	1.000 00
Czecho-slovakia	Koruna	.017 773 4	1,750.00	2.000 00	50.000 00
Denmark	Krone	.185 178	167.965	20.837 6	4.799 01
Dominican Republic	Peso	.888 671	35.000 0	100.000	1.000 00
Ecuador	Sucre	.065 827 5	472.500	7.407 41	13.500.0
Egypt	Pound	3.672 88	8.468 42	413.300	.241 955
El Salvador	Colon	.355 468	87.500 0	40.000 0	2.500 00
Ethiopia	Dollar	.357 690	86.956 5	40.250 0	2.484.47
Finland	Markka	. . . . . Par Value not yet established			
France	Franc	. . . . . No Par Value agreed with the Fund (1)			
Greece	Drachma	. . . . . Par Value not yet established			
Guatemala	Quetzal	.888 671	35.000 0	100.000	1.000 00
Honduras	Lempira	.444 335	70.000 0	50.000 0	2.000 00
Iceland	Krona	.136 954	227.110	15.411 1	6.488 85
India	Rupee	.268 601	115.798	30.225 0	3.308 52
Iran	Rial	.027 555 7	1,128.75	3.100 78	32.250 0
Iraq	Dinar	3.581 34	8.684 86	403.000	.248 139
Italy	Lira	. . . . . Par Value not yet established			
Lebanon	Pound	.405 512	76.701 8	45.631 3	2.191 48
Luxembourg	Franc	.020 276 5	1,533.96	2.281 67	43.827 5
Mexico	Peso	.183 042	169.925	20.597 3	4.855 00
Netherlands	Guilder	.334 987	92.849 8	37.695 3	2.652 85
Nicaragua	Cordoba	.177 734	175.000	20.000 0	5.000 00
Norway	Krone	.179 067	173.697	20.150 0	4.962 78
Panama	Balboa	.888 671	35.000 0	100.000	1.000 00
Paraguay	Guarani	.287 595	108.150	32.362 5	3.090 00
Peru	Sol	.136 719	227.500	15.384 6	6.500 00
Philippines	Peso	.444 335	70.000 0	50.000 0	2.000 00
Poland	Zloty	. . . . . Par Value not yet established			
Syria	Pound	.405 512	76.701 8	45.631 3	2.191 48
Turkey	Lira	.317 382	98.000 0	35.714 3	2.800 00
Union of South Africa	Pound	3.581 34	(2)8.684 86	403.000	.248 139 (3)
United Kingdom	Pound	3.581 34	(2)8.684 86	403.000	.248 139 (3)
United States	Dollar	.888 671	35.000 0	100.000	1.000 00

Table I Continued

Member	Currency	Grams of Fine Gold per Currency Unit	Currency Units per Troy Ounce of Fine Gold	U. S. Cents per Currency Unit	Currency Units per U. S. Dollar
Uruguay	Peso	. . . . .	Par Value not yet established	. . . . .	
Venezuela	Bolivar	.265 275	117.250	29.850 7	3.350 000
Yugoslavia	Dinar	. . . . .	Per Value not yet established	. . . . .	

(1) On January 26, 1948, France established a new exchange rate system, changing the official rate from 119.107 to 214.393 francs per U. S. dollar and establishing as of February 2, 1948 a "free market" for certain purchases and sales of U. S. dollars and Portuguese escudos. On April 1, 1948, the free market was extended to include the Swiss franc. The system involves a pattern of cross rates in Paris for the U. S. dollar and other member currencies inconsistent with the established parities of those currencies. The Fund disapproved the French proposal. Accordingly, there is at present no agreed par value for the French franc.
(2) 173 shillings, 8.367 pence.
(3) 4 shillings, 11.553 pence.

Source--International Financial Statistics, International Monetary Fund.

TABLE II.

List of Moneys of Foreign Countries
(Principal Units)

Arranged Alphabetically
by Moneys

Name of Money	Country or Countries	Division
Afghani	Afghanistan	100 puls
Angolar	Angola	100 centavos
Anna	Bahrein Islands	1/16th Indian Rupee
	Burma and India	1/16th Rupee
Avo	Macao and Timor	1/100th Pataca
Balboa	Panama	100 centesimos
Ban (i)	Roumania	1/100th Leu
Bolivar	Venezuela	100 centimos
Boliviano	Bolivia	100 centavos
Cent	Barbados, British Guiana, British Honduras, British West Indies, Canada, Ethiopia, Hong Kong, Liberia, Newfoundland, Trinidad and United States	1/100th Dollar
	British East Africa (Kenya, Tanganyika, Uganda and Zanzibar), Eritrea	1/100th Shilling
	British North Borneo, Federated Malay States, Malaya, Sarawak	1/100th Straits Dollar
	Ceylon, Mauritius, Seychelles, Somaliland	1/100th Rupee
	China	1/100th National Dollar
	Curacao, Dutch East Indies, Netherlands, Surinam	1/100th Guilder
Centavo	Angola	1/100th Angolar
	Argentina, Chile, Columbia, Cuba, Dominican Republic, Mexico, Philippine Islands	1/100th Peso
	Bolivia	1/100th Boliviano
	Brazil	1/100th Cruzeiro
	Cape Verde Islands, Mozambique, Portugal, Portuguese Guinea, St.Thomas and Principe	1/100th Escudo
	Ecuador	1/100th Sucre
	Guatemala	1/100th Quetzel
	Honduras	1/100th Lempira
	Nicaragua	1/100th Cordoba
	Paraguay	1/100th Guarani
	Peru	1/100th Sol.
	El Salvador	1/100th Colon

TABLE II Continued

Name of Money	Country or Countries	Division
Centesimo (i)	Italy	1/100th Lira
	Panama	1/100th Balboa
	Uruguay	1/100th Peso
Centime	Albania, Algeria, Belgian Congo, Belgium, France, French Guiana, French Somaliland, Guadeloupe, Luxembourg, Madagascar, Martinique, Monaco, French Morocco, New Caledonia, French Oceania, Reunion Island, Switzerland, and Tunis	1/100th Franc
	Haiti	1/100th Gourde
	French Indo-China	1/100th Piaster
Centimo	Costa Rica	1/100th Colon
	Spain	1/100th Peseta
	Venezuela	1/100th Bolivar
Colon	Costa Rica	100 centimos
	El Salvador	100 centavos
Cordoba	Nicaragua	100 centavos
Cruzeiro	Brazil	100 centavos
Dinar	Iran	1/100th Rial
	Iraq	1,000 fils
	Yugoslavia	100 paras
Dollar	Barbados, British Guiana, British Honduras, British West Indies, Canada, Ethiopia, Hong Kong, Liberia, Newfoundland, Trinidad and United States	100 cents
Drachma	Greece	100 lepta
Escudo	Cape Verde Islands, Mozambique, Portugal, Portuguese Guinea, St. Thomas and Principe	100 centavos
Eyrir (aurar)	Iceland	1/100th Krona
Filler	Hungary	1/100th Forint
Fils	Iraq	1/1,000th Dinar
Forint	Hungary	100 filler
Franc	Albania	5 lek; 100 centimes
	Algeria, Belgian Congo, Belgium, France, French Guiana, French Somaliland, Guadeloupe, Luzembourg, Madagascar, Martinique, Monaco, French Morocco, New Caledonia, French Oceania, Reunion Island, Switzerland, and Tunis	100 centimes
	Liechtenstein	100 rappen
Gourde	Haiti	100 centimes
Groschen	Austria	1/100th Schilling
Grosz (e)	Poland	1/100th Zloty
Guarani	Paraguay	100 centavos
Guilder	Curacao, Dutch East Indies, Netherlands, Surinam	100 cents
Heller	Czechoslovakia	1/100th Koruna
Kopeck	Russia	1/100th Ruble
Koruna	Czechoslovakia	100 heller
Krona (ur)	Iceland	100 aurar
Krone (r)	Denmark and Norway	100 oere
Krona (or)	Sweden	100 oere
Lek	Albania	1/5th Franc
Lempira	Honduras	100 centavos
Lepton (lepta)	Greece	1/100th Drachma
Leu (lei)	Roumania	100 bani
Lev (a)	Bulgaria	100 stotinki
Lira (e)	Italy	100 centesimi
	Turkey	100 piasters
Markka	Finland	100 pennia
Mil	Palestine	1/1,000th Pound
Millieme	Egypt, Sudan	1/1,000th Pound
National Dollar (yuan)	China	100 cents
Oer (e)	Sweden	1/100th Krona

TABLE II Continued

Name of Money	Country or Countries	Division
	Denmark and Norway	1/100th Krone
Para	Yugoslavia	1/100th Dinar
Pataca	Macao and Timor	100 avos
Pence	Australia, Bahamas, Bermuda, British West Africa (Gold Coast, Nigeria), Falkland Islands, Fiji Islands, Irish Free State, Jamaica, Malta, Nassau, New Guinea, New Zealand, Nyasaland, Northern Rhodesia, Southern Rhodesia, Solomon Islands, South West Africa, Union of South Africa	1/240th Pound
	Tonga Islands	1/240th Australian Pound
	Bechuanaland, Cayman Islands and Gibraltar	1/240th English Pound
	British Samoa	1/240th New Zealand Pound
Penni (a)	Finland	1/100th Markka
Peseta	Spain	100 centimos
Peso	Argentina, Chile, Colombia, Cuba, Dominican Republic, Mexico, Philippine Islands	100 centavos
	Uruguay	100 centesimos
Piaster (re)	French Indo-China	100 centimes
	Cyprus	1/180th Pound
	Egypt, Sudan, Syria	1/100th Pound
Piaster (re) (continued)	Lebanon	1/100th Syrian Pound
	Turkey	1/100th Lira
Pound	Australia, Bahamas, Bermuda, British West Africa (Gold Coast, Nigeria), Falkland Islands, Fiji Islands, Irish Free State, Jamaica, Malta, Nassau, New Guinea, New Zealand, Nyasaland, Northern Rhodesia, Southern Rhodesia, Solomon Islands, South West Africa, Union of South Africa	20 shillings, 240 pence
	Cyprus	180 piasters
	Egypt, Sudan, Syria	100 piasters
Pound (English)	Bechuanaland, Cayman Islands, Gibraltar	20 shillings, 240 pence
Pound (Australian)	Tonga Islands	20 shillings, 240 pence
Pound (New Zealand)	British Samoa	20 shillings, 240 pence
Pul	Afghanistan	1/100th Afghani
Quetzal	Guatemala	100 centavos
Rappen	Liechtenstein	1/100th Franc
Reis	Portuguese India	1/192d Rupia
Rial	Iran	100 dinars
Ruble	Russia	100 kopecks
Rupee	Ceylon, Mauritius, Seychelles, Somaliland	100 cents
	Burma and India	16 annas, 192 pies
	Tibet	6 trangkaz
Rupee (Indian)	Bahrein Islands	16 annas, 192 pies
Rupia	Portuguese India	16 tangas, 192 reis
Satang	Siam	1/100th Tical (Baht)
Schilling	Austria	100 groschen
Shilling	Australia, Bahamas, Bermuda, British West Africa (Gold Coast, Nigeria), Falkland Islands, Fiji Islands, Irish Free State, Jamaica, Malta, Nassau, New Guinea, New Zealand, Nyasaland, Northern Rhodesia, Southern Rhodesia, Solomon Islands, South West Africa, Union of South Africa	1/20th Pound
	Tonga Islands	1/20th Australian Pound
	Bechuanaland, Cayman Islands, and Gibraltar	1/20th English Pound
	British Samoa	1/20th New Zealand Pound
Sol	Peru	100 centavos
Stotinka (i)	Bulgaria	1/100th Lev
Straits Dollar	British North Borneo, Federated Malay States, Malaya, Sarawak	100 cents
Sucre	Ecuador	100 centavos

TABLE II Continued

Name of Money	Country or Countries	Division
Syrian Pound	Lebanon	100 piasters
Tanga	Portuguese India	1/16th Rupia
Tical (Baht)	Siam	100 satang
Trangkaz	Tibet	1/6th Rupee
Zloty	Poland	100 grosze

member's currency is reduced, it is obligated to make a corresponding payment to the Fund. Reciprocally, if the par value of a member's currency is increased, the Fund is obligated to make a corresponding repayment. The Fund may also require additional currency to be paid to it by any member nation if the foreign exchange value of its currency falls significantly.

Agreed par values were announced December 18, 1946 for 32 nations, followed later for four more nations. Par values have not yet been established for eight nations. One nation has established a new exchange rate which has been disapproved by the Fund. Par values of member currencies which have been agreed on and established are shown in appended Table I.

Table II lists principal units of foreign moneys alphabetically by name of currency, name of country, and principal division of the monetary unit.

(See Foreign Exchange, Money.)

FOREIGN MUNICIPAL BONDS

Bonds of political subdivisions and cities of foreign countries. Generally, the foreign governments added their guarantees to add to the marketability of foreign municipal dollar bonds in the United States. (See Foreign Government Bonds.)

FOREIGN POSTAL MONEY ORDERS

See Money Orders.

FOREIGN SECURITIES

See External Bonds, Foreign Corporate Bonds, Foreign Government Bonds, Internal Bonds, Multiple Currency Bonds.

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FOREIGN TRADE

Value of merchandise exports and imports of the United States, according to figures compiled by the U. S. Department of Commerce, since 1926 compares as follows:

----------000 omitted----------

Calendar Year	Exports	Imports	Excess of Exports Over Imports
1947	p14,456	p5,739	p8,717
1946	9,740	4,909	4,831
1945	9,806	4,136	5,670
1944	14,259	3,919	10,339
1943	12,965	3,381	9,584
1942	8,079	2,745	5,334
1941	5,147	3,345	1,802
1940	4,021	2,625	1,396
1939	3,177	2,318	859
1938	3,094	1,960	1,134

----------000 omitted----------

Calendar Year	Exports	Imports	Excess of Exports Over Imports
1937	3,349	3,084	265
1936	2,456	2,423	33
1935	2,283	2,047	235
1934	2,133	1,655	478
1933	1,675	1,450	225
1932	1,611	1,323	288
1931	2,424	2,091	334
1930	3,843	3,061	782
1929	5,241	4,399	842
1928	5,128	4,091	1,037
1927	4,865	4,185	681
1926	4,809	4,431	378

p--Preliminary.

Exports include Lend-Lease goods shipped to United Nations but exclude shipments to United States armed forces abroad; and also include UNRRA shipments. Imports are "general imports", which include merchandise entered immediately upon arrival into mechandising or consumption channels, plus commodities entered into bonded customs warehouses for storage.

Exports and imports are but one item in the current account of Balance of Payments (see table on page 256).

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FORFEITURE

The loss or relinquishment of money deposited to secure or bind a contract, or part payment of a purchase, as a penalty for non-performance or non-fulfillment. As an illustration the case of a purchaser of stock in a National bank undergoing organization is cited. The law permits the subscriber to pay a first installment of 50 per cent., and the remainder in five 10 per cent. monthly instalments. Upon failure to make the instalment payments according to agreement, the stock is then sold to the highest bidder. If the selling price is no more than the amount of the delinquent instalment, the original purchaser forfeits his entire deposit; but if it is in excess of the delinquent instalment, the original purchaser is entitled to the excess up to the amount of the original deposit.

FORGED INSTRUMENTS

Checks, drafts, bills of exchange, notes, bonds, stock

BALANCE OF PAYMENTS STATEMENT

UNITED STATES

(in millions)

	1946		1947	
Current Account:	Receipts	Payments	Receipts	Payments
Exports and Imports, Total (f.o.b.)	$12,140	$5,264	$16,022	$6,047
Government	4,872	888	3,134	524
Private	7,268	4,376	12,888	5,523
Investment Income	611	173	1,026	226
Transportation	1,815	699	1,728	730
Foreign Travel	218	429	278	535
Miscellaneous	480	566	549	789
Total Goods and Services	15,264	7,131	19,603	8,327
Unilateral Transfers, Total	219	3,329	581	3,029
UNRRA	--	1,522	--	747
Civilian Supplies	--	554	--	1,007
Other Government Transfers	94	455	435	434
Private Remittances	125	798	146	841
Total Current Transactions	15,483	10,460	20,184	11,356
Surplus (+) or Deficit (—) on Current Account	+5,023		+8,828	
Capital Account:				
Long Term Capital Movements, Total	991	4,333	1,002	8,796
Investments Abroad, Government:				
Credits on Sales of Surplus Property	....	860	....	317
Export Import Bank	40	971	95	796
Subscriptions to International Monetary Fund and International Bank for Reconstruction and Development	--	323	--	3,063
British Loan	--	600	--	2,850
Lend-Lease Credits	....	546	....	24
Other	39(1)	19	75(1)	80
Investments Abroad, Private	911	673	794	1,530
Short Term Capital and Gold Movements, Total (net)	--	1,799	--	2,116
U. S. Capital Abroad (net)	--	293	--	265
Foreign Capital in U. S. (net)	--	883	311	---
Gold (net)	--	623	--	2,162
Foreign Investments in U. S.	1	341	38	136
Balancing Item (errors and omissions)	118	--	1,082	--

(1) Includes repayments on surplus property and Lend-Lease credits.

Source--International Financial Statistics, International Monetary Fund.

certificates and paper money with false signatures or false denominations or false instruments with genuine signatures. The losses due to forged bonds and stock certificates have been considerable in the past, and one of the functions of the New York Stock Exchange is to prevent this abuse. The New York Stock Exchange guarantees the physical genuineness of all listed securities traded in by its members.

A bank is liable for paying a check with a forged signature. A bank is bound to know the signatures of its depositors; consequently, all checks passing through a bank are examined as to their signature by the paying teller or signature clerks before they are paid. A bank is not liable to a depositor, however, for the payment of a forged or raised check unless the depositor notifies the bank that the check was forged or raised within one year after the return of the voucher of such payment (Sec. 326, New York Negotiable Instruments Law).

Since paying a forged check is one of the chief risks with which a bank is confronted, banks should educate their depositors to protect their blank checks as a means of combating this risk. Depositors should keep blank checkbooks under control and be able to account for each of the series. Checks should not be signed in blank, nor should blank checks be given away to strangers. (See Alteration, Counterfeits, Forgery, Signature Department.)

FORGERY

In its broadest interpretation forgery is defined as

"making or altering any document with the intention of prejudicing another person."

As defined in the New York Penal Law, forgery includes false making, counterfeiting and the alteration, erasure, or obliteration of a genuine instrument, in whole or in part, the false making or counterfeiting of the signature, of a party or witness, and the placing or connecting together with intent to defraud of different parts of several genuine instruments.

Thus placing a false signature on a check, raising the amount, changing the payee's name, or the number of the check with intention to defraud constitutes forgery. The alteration of a passbook entry likewise is forgery. Forgery is a statutory crime and is punishable by imprisonment. The following precautions against check forgeries should be taken:

1. Never cash a check for a stranger untill he is identified by you through someone you know and upon whom you can rely.
2. Never accept a check just because it looks "business-like." Criminals frequently counterfeit checks of well-known concerns.
3. Always verify bank certifications through the certifying bank. Certifications are frequently counterfeited by criminals.
4. Never do what a stranger suggests in order to identify him, unless the suggestion leads to identification through someone you know and upon whom you can rely. He may have arranged with an accomplice to give you misinformation.
5. Never sign a check in blank or make it out payable to "cash" or "bearer" unless imperatively necessary.
6. Never leave your check book or canceled vouchers where anyone else can get hold of them.
7. Always write your checks carefully with good ink, typewriter or checkwriter which will indent the paper. Begin each line at the left hand side and leave no spaces between your words.
8. Be sure to have a safe place for delivery of your business mail. Do not depend on the type of box that can be easily opened by a criminal.
9. If possible never let anyone else check up your bank book with paid and cancelled checks returned from the bank. This is the one thing that every business man should do monthly and personally wherever possible.

(See Alteration, Counterfeits, Forged Instruments, Raised Bills.)

FORTNIGHTLY SETTLEMENT

See Settlement Days.

FORWARD BUYING OR SELLING

In commodity trading, the purchase or sale of a spot commodity but for deferred delivery instead of immediate delivery. (See Spot Price.)

FORWARD MOVEMENT

A market expression which refers to a general rise in the price level securities or commodities in which all listings participate. The expression may refer to a rising price tendency for the day, or for a period of time.

FORWARDING AGENT

A person or concern engaged in the business of collecting, transferring, warehousing, and delivery of goods.

FOUNDATION

An institution established on a permanent basis by private endowment, e. g., college, hospital, research bureau, church, scientific institution, etc., or the endowment fund itself. A foundation usually is instituted as a gift of the donor and maintained continuously from the income derived from investments, usually bonds, constituting the principal of the endowment. Examples of this type of institution are, in order of approximate size of assets:

General Education Board (endowed by John D. Rockefeller)
The Rockefeller Foundation
Ford Foundation
The Duke Endowment
Kresge Foundation
Commonwealth Fund (founded and supported by Mrs. Stephen V. Harkness and Edward S. Harkness)
Charles Hayden Foundation
W. K. Kellogg Foundation
Carnegie Institution of Washington
John Simon Guggenheim Foundation
Carnegie Corporation of New York
New York Community Trust
John and Mary R. Markle Foundation
Carnegie Foundation for the Advancement of Teaching
Russell Sage Foundation

FOUNDERS' SHARES (STOCK)

A special form of stock issued to the founders or promoters of a company in remuneration of the promoters' services, as distinguished from common or ordinary stock. Founders' stock is a term primarily used in English finance and corresponds approximately with Promoters' Stock (q. v.) in America. It is known as management or deferred stock. (See Deferred Stock.)

FRACTIONAL CURRENCY

Coins having a denomination of less than one dollar. These include the silver 50 cent, 25 cent and 10 cent pieces; the nickel 5 cent piece; and the bronze 1 cent piece. (See Minor Coins, Subsidiary Silver Coins, Token Money.)

FRACTIONAL LOTS

See Odd Lot.

FRANC

The monetary unit of Belgium, France, Liechtenstein, Luxembourg, Switzerland, and a number of non-metropolitan areas (see Table II under Foreign Moneys).

France on January 26, 1948 established a new exchange rate for the franc, changing the official rate from 119.107 francs to 214.393 francs per U. S. dollar. This was disapproved by the International Monetary Fund (q. v.), and at present there is no agreed par value for the French franc.

FRANCHISE

A privilege conferred by a governmentality, usually a municipality, by which a corporation is vested with powers to engage in a public utility enterprise usually under quasimonopolistic conditions. A franchise is a grant of power given to the grantee corporation to engage in a business which involves the exercise of the right of eminent domain. This includes all public service businesses (gas, water, electricity, street rail-

way, suburban, telephone companies, etc.). Public utility corporations are subject to the conditions imposed by the franchise and a violation of its provisions results in its Forfeiture (a. v.). Most states provide for the regulation of their public utilities through a public service commission.

The principal features covered by a franchise are: (1) duration, which may be fixed (limited), perpetual, or indeterminate (during "good behavior"); (2) compensation, which may be a sum of money or performance of certain services; (3) rates; (4) service; (5) improvements, which in most cases revert to the grantor upon the expiration of the franchise; (6) labor conditions and strikes; (7) capitalization; and (8) reversion to grantor.

The conditions imposed in a franchise are important in judging public utility investments, the chief points to be considered being that the bonds of these companies should mature within the life of the franchise, and should not exceed the replacement value of the company's fixed property. (See Public Service Commission, Public Utility Securities.)

FRAZIER-LEMKE-LONG ACT

See Farm Bankruptcy Act.

FREE BALANCE

The minimum free balance for checking or non-borrowing accounts corresponds to the average balance for borrowing accounts, and is the minimum amount in the account which the bank requires the depositor to maintain. In calculating service charges for checking accounts, the cost systems of most banks allow a service allowance, say of 10¢ a month for each $100 of minimum monthly balance, representing a credit for investment of demand deposits at current rates. (See Twenty Per Cent. Rule).

FREE BONDS

Unpledged or unhypothecated bonds; bonds available for immediate disposal.

FREE COINAGE

Coinage of a metal into standard coins without limitation as to quantity, with full legal tender powers for private persons. Gold was the only metal that enjoyed free coinage in the United States and in all gold standard countries. Since 1933 and the Gold Reserve Act of January 30, 1934, however, coinage of gold in the United States has been at an end, and it has been similarly ended throughout the world. Free coinage should be distinguished from Gratuitous Coinage (q. v.). (See Coinage, Free Silver.)

FREE CROWD

Also called the Active Crowd. The division of the New York Stock Exchange which handles trading in the active domestic bond issues. Trading procedure in the active crowd is similar to that in stocks, except that there are no specialists as for stock trading. Instead, memorandum of bids and offers in the particular bond is kept by quotation clerks who are employees of the Exchange, listing the names of the brokers making the bids and offers. These prices are not binding upon the brokers, but merely serve to facilitate trading by bringing together buying and selling brokers. (See Book Crowd, Cabinet Crowd.)

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FREE GOLD

An expression which means the excess of gold (now gold certificates issued by the Treasury since the Federal Reserve banks no longer hold metallic gold) held by the Federal Reserve System over the legal requirements for Federal Reserve notes (40%) and member bank deposits (35%). In computing gold reserves, the law concerns itself with the gold requirements of each Federal Reserve bank separately and not with the 12 combined Federal Reserve banks. For example, excess gold in the Federal Reserve bank of Boston does not compensate for a deficiency in Atlanta. The usefulness of this concept was diminished by the Gold Reserve Act of 1934, which vested in the Treasury of the United States title to all the monetary gold stock, including about $3 1/2 billion held by the Federal Reserve Banks. (See Gold Reserve, Gold Reserve Act of 1934).

FREE ITEMS

Checks, matured notes, and bankers' acceptances, etc., drawn on out-of-town points which are cashed or received for deposit by a bank at par without deduction for exchange or collection charges. Local clearing house associations usually determine those items which may be received by members for deposit at par and those upon which exchange must be charged. (See Domestic Exchange.)

FREE MARKET

An open market where prices are determined by free and open competition between many buyers and sellers.

FREE OF DUTY

See Foreign Trade.

FREE SILVER

A term used to denote the use of silver as a standard money, singly or with gold, as in Bimetallism (q. v.). Free silver refers to the coinage of silver at the mint without limitation as to amount, without profit to the Government, and investing it with full legal tender powers. The free silver agitation was rampant in the early 90's and was a campaign issue in 1896. (See Bland-Allison Act, Free Coinage.)

FREE WORKING CAPITAL

The margin or excess of current or quick assets over current liabilities, is variously termed net current assets, free working capital, or just working capital. The amount in the aggregate of the free working capital is not as valuable an indicator of liquidity of a business as the current ratio, or ratio of current assets to current liabilities. For example, a concern with current assets of $1,000,000 and current liabilities of $500,000 has the same aggregate free working capital as a concern with $1,500,000 in current assets and $1,000,000 in current liabilities, but the first concern is obviously the stronger in liquidity, in view of its 2:1 current ratio, as compared with 1 1/2:1 for the second concern. (See

Current Assets, Current Liabilities, Current Ratio, Working Capital.)

FROZEN CREDITS

An expression coined during the post-World War I credit deflation period to denote bank loans which could not be liquidated without financially embarrassing the borrowers and which were accordingly extended to prevent bankruptcy; loans renewed or extended as a matter of accommodation to customers on account of a precipitate fall in price of supporting collateral below the amount of the loan, with the hope of future price betterment and ultimate liquidation of the loan without loss to the lenders. (See Standstill Credits.)

FROZEN LOANS

See Frozen Credits.

FROZEN OUT

This term has three meanings:

(1) An expression used to describe a speculator whose account has been closed out by a broker due to the exhaustion of his margin. (See Exhaust Price.)

(2) The expression is also used to indicate the forcing out of small stockholders by those in control. This is accomplished by frightening them into selling their holdings by circulation of reports of distress, or by temporarily depressing the price of the security, or otherwise.

(3) An officer or director of a corporation may be "frozen out" or forced out of office by a concerted plan of the stockholders or others in control.

FUERTE

A money of Venezuela, equal to five bolivars. (See Foreign Moneys--Venezuela.)

FULL LOT

The unit of trade on an exchange, and also known as board lot. A full lot on the New York Stock Exchange is 100 shares for active stocks. Inactive stocks are traded in on the floor at Post 30 in units of 10 shares, and the usual odd lot differential applies to orders for less than 10 shares. An odd lot in bonds on the New York Stock Exchange is a unit of less than five bonds of $1,000 principal amount each, and commission charges are usually graduated higher than those for five bonds or more, according to whether the order is for four bonds; three bonds; and one or two bonds. (See Units of Trade.)

FULL (FULLY) PAID STOCK

Stock fully paid for, i. e., upon which no further subscription instalments are due up to par or face value. In most states stocks may be paid for in cash, property, or services of equivalent value. In some states, however, stock cannot be issued unless paid for in cash, or its equivalent in property (services being excluded), equal to the face value of the stock. In a few states stock may be paid in cash only.

Stock which is not fully paid carries with it the obligation on the part of the holder to pay the balance at any subsequent time.

FUNDAMENTAL CONDITIONS

A term used in market letters and financial reviews to indicate the underlying economic factors upon which the state of business, whether active or inactive, moderate or dull, prosperous or depressed, is ascertained. Fundamental conditions at any given time are determined by referring to comparative business statistics, various business, banking, investment and credit barometers, and to principles of economics. (See Business Barometers, Favorable Conditions.)

FUNDED DEBT

Bonded debt; long-term indebtedness of a business corporation, or Government or political sub-division thereof, as distinguished from the unfunded, floating, or current debt. The Interstate Commerce Commission defines this term as comprising all bonds or other certificates of indebtedness not maturing for a year or more.

FUNDED INDEBTEDNESS

See Funded Debt.

FUNDING

The process of converting the floating indebtedness of a Government or political sub-division thereof, or a business corporation, into long-term bonds. Funding may be accomplished by converting a series of short-term note issues into long-term bonds, when interest rates are low, or in corporate finance, by selling stock and paying off short term debts with the proceeds. In this way stockholders virtually buy out the interest of the creditors. Funding by means of the sale of additional stock is usually undertaken when the equity market is favorable.

FUNDS

Cash, or its equivalent, e. g., checks, drafts, money orders, etc. The term may be used to include securities which have a ready market and can be quickly liquidated. It is common to hear the expression "liquid" funds, meaning cash; and "tied up" funds, meaning money invested in income-bearing assets.

FUNGIBLE

Fungible goods are goods of a given class, any unit of which is as acceptable as another and will satisfy an obligation expressed in terms of the class. For example, bushels of wheat of a particular grade are fungible goods, as each unit of wheat of the same quality does not differ individually in value from the other units, and may be accepted or tendered without necessity of segregation or selection of particular bushels of wheat.

Much of the grain business of the country is conducted through the medium of grain elevators and warehouses, wherein grain is stored in a common receptacle and treated as common property. The depositor is entitled to grain in same kind and quantity upon demand. (See Elevator Receipts.)

FUTURES

Contracts in which the seller agrees to deliver commodities, foreign exchange, or securities at a future date, usually from one to six months, but sometimes longer, ahead. Trading in futures is chiefly confined to grain, cotton, cocoa, coffee, hides, rubber, silk,metals, and sugar, but is also common in foreign exchange. Short selling in securities is also a form of trading in futures. Ordinarily, this practice is regarded as speculative, but it is more frequently quite the opposite, as

explained by Boyle (Speculation and the Chicago Board of Trade):

"Future trading is of two kinds, speculative and hedging. A part of future trading is known as 'hedging' and is a form of insurance. A part of future trading is purely speculative. It is really dealing in grain contracts, rather than in grain. Some members of the Board of Trade devote their energies wholly to speculation, and are known as 'professionals.' Again, there is a sub-class of speculators who are called 'scalpers' or 'pit scalpers,' since they buy and sell on each slight drop of rise in the market, trying to scalp a little profit off of each fluctuation for themselves. They do not risk carrying any trades over night, but aim to be even at the close of each day. The 'professional speculator,' however, deals for the longer swings of the market, over a period of days, or even weeks."

While the primary function of the commodity exchanges is to register existing values in accordance with the operation of the law of supply and demand, its real economic value consists in furnishing manufacturers and merchants handling the commodity a mechanism for insuring themselves against losses through price fluctuations during the period the raw commodity is in process of fabrication and sold to the ultimate consumer. That is, the commodity exchange is a means by which cash holdings may be hedged against by sale of futures, or vice versa.

After long years of struggle against uninformed hostility and prejudice, futures trading in staple commodities has come into public favor. In the beginning, commodity exchanges had to fight a perpetual battle for existence against their own inexperience and the wrath of disgrunted farmers and business men only too willing to blame their ills on conspicuous marketing organizations whose operations they did not fully understand. Today the exchanges are recognized as essential cogs in international commerce, and farmers and business men have come to look on them as organizations to be used rather than abused.

This is particularly so since the Commodity Exchange Act (q. v.) placed all futures trading in designated commodity exchanges under its regulation and control. Principal protective features of regulation include the abolition of manipulative practices such as wash sales, cross trades, puts and calls, etc.; prevention of excessive speculation, both by setting daily trading limits as to price and by imposing limitations on the daily amount of speculative trading and net long or short speculative position of any one speculative account; segregation of customers funds from commission merchant's funds; registration of all commission merchants and floor brokers; prevention of any cheating or defrauding of the public, etc.

Specific provisions of futures contracts vary according to the commodity and the rules of the particular exchange, but general characteristics include the fixing of uniform unit of trading and terms of contract trading, setting of basic grades deliverable, specification of delivery during a particular calendar month, clearance of trades through a clearing house, prescribed hours of trading, etc.

Bankers have long favored futures exchanges. They look first to the character and standing of would-be borrowers before they will lend their funds; but as between firms of equal standing they have always loaned more freely to those which hedge. The larger and more successful banks even require that their customers hedge, for they have learned from experience the value of hedging as price insurance, the value of futures markets in making the assets against which they lend more liquid, and the value of having a futures contract buyer as an additional security added to that offered by the original borrower and his actual commodity.

(See Commodities, Commodity Exchange Act, Commodity Exchanges, Hedge.)

FUTURES COMMISSION MERCHANT

Under the Commodity Exchange Act, futures commission merchants include individuals, associations, partnerships, corporations and trusts engaged in soliciting or in accepting orders for the purchase or sale of any commodity for future delivery on or subject to the rules of any contract market and that, in or in connection with such solicitation or acceptance of orders, accepts any money, securities or property (or extends credit in lieu thereof) to margin, guarantee, or secure any trades or contracts that result or may result therefrom.

Futures commission merchants are required to be registered with the Secretary of Agriculture under the Commodity Exchange Act. (See Commodity Exchange Act, Futures.)

FUTURES EXCHANGE

Any contract market or futures market which has been designated to conduct trading in futures by the Secretary of Agriculture under the Commodity Exchange Act. (See Commodity Exchanges.)

In foreign exchange, futures exchange is the rate for a foreign currency at a particular future date, either fixed or optional. (See Foreign Exchange.)

GAMBLE (GAMBLING)

A term used in speculative circles meaning to "play the market" blindly. It consists of making speculative commitments without having a knowledge of business conditions, the technical position of the market, cyclical price movements, or the value of the securities traded in from the standpoint of equities and earnings, especially stocks of corporations which have not yet reached the producing stage, and the success of which is uncertain. In other words to gamble in stocks is to deal in highly speculative stocks, to deal in stocks without previous knowledge of the risks involved, to trade on thin margins, to load up heavily on one security issue, or merely to bet on the rise or fall of quotations—the practice of the Bucket Shop (q. v.). In general a gambler is one who takes heavy and unnecessary risks, e. g., one who casts too much on a single throw of the dice.

From a strict economic standpoint the well considered purchase of stocks is not gambling, since a real contribution to production is made, i. e., that of furnishing capital for speculative enterprises, whereas in gambling, no end is finally achieved. Gambling, moreover, involves the assumption of a needless or artificial risk (often created for the occasion), while speculative trading involves a necessary economic risk. Speculation is an existing and inherent risk that cannot be escaped if business is to be carried on. In gambling, a risk is created for the sole purpose of assuming it. Wagers on a horse race are deliberately created. The risk of fluctuating prices is inherent in the economic scheme. (See Hedging, Lamb, Speculation.)

GARNISHEE

See Garnishment.

GARNISHMENT

A legal process, or the notice or writ, which directs a third party who owes money or other property to the defendant in a case in which the plaintiff is suing to collect a debt, not to deliver such money or property into the defendant's hands, but to appear in court and answer the plaintiff's suit. Garnishment proceedings are instituted in order to secure to the plaintiff a claim due by a third person to such debtor, against whom suit has been brought. The person upon whom the garnishment is served is known as the garnishee.

GAS

The gas industry has two principal divisions, the artificial or manufactured gas industry, and the natural gas industry. The manufactured gas industry had its beginnings in America as early as 1816, and until the advent of the electric light, had its principal market in the illumination field. Following the perfection of the electric light, the manufactured gas industry began to develop the home market for cooking and heating, and later for gas-using refrigerators. It has also developed the industrial and commercial market to some extent.

For 1946, of total manufactured gas sales of 414 million Mcf, residential sales totaled 279 million Mcf, and industrial and commercial sales totaled 130 million Mcf. In the decade following 1929, total manufactured gas sales showed little change, but within the total there was a sharp rise in house heating sales, which increased by 313%, although still at a relatively minor aggregate, and there was a 20% gain in industrial and commercial sales. Other residential sales, which account for the bulk of sales, dropped about 25% in the decade following 1929, reflecting the trend toward less cooking in the home, but have since recovered some 15%. Nevertheless, because the principal use of gas in the home is for cooking, intensive growth in this field is necessarily limited, and extensive growth depends upon the increase in number of dwelling units.

In recent years, the increase in cost of fuel for manufacture of artificial gas (most artificial gas is manufactured from the destructive distillation of coal) has led to sharp expansion in the use of natural gas, either mixed with manufactured gas, or supplanting manufactured gas. This trend has been accelerated by the building of long distance natural gas pipe lines from natural gas fields to urban markets. Many manufactured gas companies have been converting to mixed or straight natural gas service. (See Natural Gas.)

GENERAL ACCOUNTS

Accounts which appear in a bank's general ledger; all accounts other than accounts with depositors and depositories, i. e., accounts representing balances due to and due from customers. (See General Ledger.)

GENERAL AGENT

See Agent.

GENERAL AND FIRST MORTGAGE BONDS

See First and General Mortgage Bonds.

GENERAL ASSET CURRENCY

Bank notes which are not secured by a specific pledge of collateral, e. g., specie, bonds, or commercial paper, but which are supported only by the general assets of the issuing bank. The notes of the Bank of France are examples of general asset currency. There are no examples of general asset currency in the United States, and Federal Reserve Notes (q. v.), the principal circulating medium, are specifically secured.

GENERAL AVERAGE

See Average.

GENERAL BOOKKEEPER

One who has charge of the general ledger and the General Bookkeeping Department (q. v.).

GENERAL BOOKKEEPING DEPARTMENT

The department of a bank which records all transactions affecting the general accounts, as distinguished from customers' accounts. The function of the general bookkeeping department is to summarize the transactions of each of the operating departments of the bank before they are added to or subtracted from the assets, liabilities, or undivided profits accounts. In order that the financial condition of a bank may be visualized, this department becomes the central accounting department where all the transactions of the bank are gathered, condensed and recorded. The general bookkeeping department maintains a general ledger, statement book, and expense book. (See General Ledger.)

GENERAL DEPOSITS

See Deposits.

GENERAL FIRST MORTGAGE BONDS

A misleading title, contradictory because a general mortgage cannot be a first mortgage, which in most cases denotes general mortgage bonds, although sometimes they constitute a first lien on a part of the mortgaged property. The proper title for this class of bonds is first and general mortgage bonds, or First Lien and General Mortgage Bonds (q. v.). (See General Mortgage Bonds.)

GENERAL INDORSEMENT

Indorsement in blank. (See Indorsement.)

GENERAL LEDGER

The most important accounting record of a bank which contains a summary of all transactions of the institution including general accounts and controlling accounts for the customers' ledgers. Every transaction which occurs in any of the operating departments eventually affects some account in the general ledger and in the ordinary routine, reaches the general bookkeeping department for posting to the general ledger. Each general ledger account, e. g., time loans, represents the aggregate of such loans held by the bank and the total represented by the subsidiary loan ledger. Whereas one hundred time loans may be made during the day and as many entries recorded in the subsidiary loan ledger, only one posting is made for the total (one hundred loans) to the debit of the time loans account in the general ledger.

Usually the general ledger is of the Boston or progressive type, and frequently where the number of accounts is large, two separate volumes are used, one each for assets and liabilities. Postings are made to the general ledger from various posting mediums routed to the general bookkeeping department from the various operating departments. The postings usually are made early in the day after which the ledger is proved. The balances of each customers' ledger must prove with the corresponding controlling account in the general ledger

This ledger reveals the cross section of the business each day, and the daily proofs thereof are virtually a series of instantaneous photographs or moving pictures of the bank's financial condition and financial progress.

The following accounts are typical of those appearing in the general ledger of a large National bank:

ASSETS

Loans and Discounts

Demand Loans—Brokers.
Demand Loans—Merchants.
Time Loans—Eligible for Rediscount.
Time Loans—Ineligible for Rediscount.
Bills Discounted.
Acceptances Discounted.
Overdrafts.

Securities

U. S. Bonds to Secure Government Deposits.
U. S. Bonds Deposited with Superintendent of Banks—State of New York.
U. S. Bonds to Secure Trust Funds.
U. S. Bonds Deposited with Federal Reserve Bank as Collateral for Loans.
U. S. Bonds Deposited with Federal Reserve Bank as Collateral Against Loans Repledged from Customers' Loans.
U. S. Bonds Loaned.
U. S. Bonds Borrowed.
U. S. Bonds on Hand.
Premium on U. S. Bonds.
Other Bonds to Secure Government Deposits.
Other Bonds to Secure State and Other Deposits.
Other Bonds Loaned.
Other Bonds Held on Joint Account.
Other Bonds Sold with Agreement to Repurchase.
Other Bonds on Hand.
Other Bonds to Secure Trust Department Funds.
Federal Reserve Bank Stock.
Stock of Various Foreign Banking Corporations.

Cash

Silver Coin.
Silver Certificates.
Federal Reserve Notes.
U. S. Legal Tender Notes.
Fractional Currency.

Customers' Liability

Acceptances of Domestic and Foreign Bills of Exchange.
Acceptances Under Commercial Letters of Credit.

Other Assets

Banking House and Equipment.
Due from Domestic Banks and Bankers.
Due from Domestic Banks and Bankers, Collections.
Due from Federal Reserve Bank. (Lawful Reserve.)
Due from Federal Reserve Bank, Collections.
Exchanges for Clearing House.
Checks on Other Banks in this City Not Members of Clearing House.
Due from U. S. Treasurer.

Expenses

Exchange.
Taxes.
Interest to Depositors.
Losses.
Expenses.

LIABILITIES

Capital Invested

Capital Stock.
Surplus.
Undivided Profits.

Earnings

Interest.
Discount.
Commissions.
Exchange.
Bond Profits.
Foreign Exchange Profits.

Reserves

Reserve for Taxes.
Reserve for Losses.
Reserve for Interest.

Deposits

United States Deposits.
Demand Deposits—Corporations, Firms, Individuals.
Demand Deposits—Banks.
Demand Certificates of Deposit.

Deposits Continued

State Deposits.
Time Deposits.
Time Certificates of Deposit.
Certified Checks.
Cashiers' Checks.
Money Orders.
Paid Letters of Credit.
Coupon Checks.
Note Tellers' Payments.
Corporate Trust Funds.
Individual Trust Funds.

Liability On Account Of

Letters of Credit Issued and Outstanding.
Acceptances Under Commercial Letters of Credit.

Other Liabilities

U. S. and Other Bonds Borrowed. (Liability.)
U. S. Bonds Placed as Collateral to Loans and Repledged as Collateral to Loans from Federal Reserve Bank (Liability).
U. S. Bonds Pledged as Collateral to Loans and Repledged to Secure Government Deposits.
Unpaid Dividends.
Rediscounts with Federal Reserve Bank.
Bills Payable with Federal Reserve Bank.
Unearned Discount.
Accrued Expense.
(See Bank Bookkeeping.)

GENERAL LEGACY

See Legacy.

GENERAL LOAN AND COLLATERAL AGREEMENT

Brokers' loans, i. e., Stock Exchange loans are not usually evidenced by notes. Instead brokers borrowing on Stock Exchange collateral are required to sign a loan contract known as a General Loan and Collateral Agreement, or continuing agreement. Brokers' loans are usually demand loans and the machinery of the call loan market is such as to require a contract which can operate as a continuing obligation. This contract remains on file with the lending bank and obviates the necessity of preparing a separate note for each loan. Because of its flexibility it is more advantageous both to the borrower and to the bank. In a collateral loan, the collateral is recited, but in the General Loan and Collateral Agreement, no specific loans or collateral are mentioned. The agreement gives the bank, however, the right to sell any collateral securing a loan upon default in payment when called, or upon failure to respond to a call for additional margin. It also gives the bank the right to assign or transfer all or any part of the loan made, or to rehypothecate any Government bonds in the collateral against loans from the Federal Reserve Bank. From the viewpoint of the customer, it prevents the inconvenience of signing a note each time a loan is made. The following is a typical form of general loan and collateral agreement:

WHEREAS, the undersigned expect, from time to time, to borrow money from the Blank Bank of New York (hereinafter called the Bank) and to pledge with the Bank property of various kinds as collateral security for the payment of such loan or loans to be hereafter made by the Bank; Now, therefore,

IT IS AGREED by the undersigned with the Bank, that all property thus pledged with it may be held by it as collateral security for the payment of such loan or loans as well as for the payment of any other obligation or liability, direct or contingent, of the undersigned, or any of them, to the Bank, due or to become due, whether now existing or hereafter arising; and the undersigned agree to deliver to the Bank additional securities, or to make payments on account to its satisfaction, should the market value of said securities, as a whole, suffer any decline. The undersigned hereby give to the bank a lien for the amount of all such obligations and liabilities upon all the property or securities now or at any time hereafter given unto or left in the possession of the Bank, by the undersigned, whether for the express purpose of being used by the Bank as collateral security, or for any other or different purpose, and also upon any balance of the deposit account of the undersigned, or any of them, with the bank.

On the non-performance of this promise, or upon the nonpayment of any of the obligations or liabilities above mentioned, or upon the failure of the undersigned, forthwith, with or without notice, to furnish satisfactory additional securities, or to make payments on account, in case of decline, as aforesaid, or in case of insolvency, bankruptcy, or failure in business of the undersigned, or any of them, then and in any such case, all obligations, and liabilities, direct or contingent, of the undersigned and each of them, shall forthwith become due and payable without demand or notice; and full power and authority are hereby given to the Bank to sell, assign, and deliver the whole of the said securities, or any part thereof, or any substitutes therefore, or any additions thereto, or any other securities or property given unto or left in the possession of the Bank, by the undersigned, whether for the express purpose of being used by the Bank as collateral security, or for any other or different purpose, or in transit to or from the Bank, by mail or carrier, for any of the said purposes, at any broker's board, or at public or private sale, at the option of the Bank, without either demand, advertisement or notice of any kind, all of which are hereby expressly waived. At any such sale, the Bank may itself purchase the whole or any part of the property sold, free from any right of redemption on the part of the undersigned, which is hereby waived and released. In case of any sale or other disposition of any of the property aforesaid, after deducting all costs, or expenses of every kind for collection, sale or delivery, the Bank may apply the residue of the proceeds of the sale or sales so made, to pay one or more or all of the said obligations or liabilities to it, whether then due or not due, making proper rebate for interest on obligations or liabilities not then due, and returning the overplus, if any, to the undersigned, who agree to be and remain liable, jointly and severally, to the Bank for any deficiency arising upon such sale or sales. The undersigned do hereby authorize and empower the Bank, at its option, at any time, to appropriate and apply to the payment and extinguishment of any of the obligations or liabilities, hereinbefore referred to, whether now existing or hereafter contracted and whether then due or not due, any and all moneys now or hereafter in the hands of the Bank, on deposit, or otherwise to the credit of or belonging to the undersigned, or any of them.

The Bank may assign or transfer this instrument and may deliver the said collateral security or any part thereof to the transferee or transferees, who shall

thereupon become vested with all the powers and rights above given to the Bank, in respect thereto; and the Bank shall thereafter be forever relieved and fully discharged from any liability or responsibility in the matter. No delay on the part of the holder hereof, in exercising any rights hereunder shall operate as a waiver of such rights.

(See Call Money Market.)

GENERAL MORTGAGE BONDS

Bonds secured by a blanket mortgage upon all the property already subject in whole or in part to prior mortgages. These bonds are common among railroad and public utility corporations, being issued as a means of raising funds for improvements upon property which has enhanced in value since the issue of the underlying mortgage. Many mortgages have an "after acquired" property clause which places all the property actually owned at the time the bonds are issued, as well as all the property which may subsequently be acquired under the lien and subject to the mortgage. The "after acquired" property may be that which is obtained through the proceeds of the sale of the bonds, or it may apply to all property acquired after the date of the mortgage.

General mortgage bonds frequently are issued in sufficient amount not only to raise additional capital, but also to provide for the retirement of the original mortgage bonds when they mature. When this is the case general mortgage bonds eventually become first mortgage bonds.

GENERAL OBLIGATION

See Obligation.

G I Bill of Rights

The Servicemen's Readjustment Act (q. v.).

G I LOANS

Loans made under Title III of the Servicemen's Readjustment Act of 1944, as amended, by private or Government lending agencies, to eligible servicemen, guaranteed by the Administrator of Veterans Affairs if made for the following purposes:

(1) Buying residential property, building a home, making repairs, alterations or improvements to the home, or paying special assessments on the home; (2) buying land, buildings, livestock, equipment, machinery, supplies, or tools for use in farming, or for repairing, altering, constructing, or improving any land, equipment, or building, including the farm house, used in farming, or for working capital requirements necessary in farming operations; (3) buying a business, or buying land, buildings, supplies, equipment, machinery, tools, inventory, and stock-in-trade for use in business or the pursuit of a gainful occupation; or for the cost of construction, repair, alteration, or improvement of any property used for such purpose, or to provide funds needed for working capital.

Although conditions vary for each type of loan, general requirements are (1) the loan must be used for the purpose specified; (2) the purchase prices must not exceed a reasonable value; (3) the property must be useful and reasonably necessary; (4) the terms of payment for the purchase or improvement of a home can be met from expected income; and (5) for farms or business loans, the veteran must have enough ability and experience to provide a reasonable chance to succeed. Deadline for application for loans is July 24, 1957.

Amount of the guarantee may not exceed 50% of the loan, or a maximum of $4,000 on real estate and $2,000 on non-real estate loans, with maximum guarantee prorated if the veteran receives loans of both types. Such loans cannot bear interest of more than 4% per annum, and the Administrator will pay an amount equal to 4% of the amount originally guaranteed. Loans are to be paid back in full in not more than 10 years on non-real estate loans; 25 years on real estate loans other than for the purchase of farm real estate; and 40 years on farm realty. Loans may also be paid back at any earlier time, without penalty, if the veteran wishes.

As of September 1, 1947, more than 986,000 G. I. loans amounting to over $5,400,000,000 had been approved, of which the Administrator had approved, guaranteed and insured $2,500,000,000. The majority of veterans--over 89% or about 876,000--borrowed $5,000,000,000 to purchase homes. Some 34,000 veterans borrowed $131,000,000 for farms. Another 76,000 veterans borrowed $241,000,000 to enter businesses.

(See Servicemen's Readjustment Act.)

GIFT TAX

The Federal gift tax is an excise tax, levied upon the privilege of giving. The first Federal gift tax was effective from June 2, 1924 to December 31, 1926, when it was repealed. A new Federal gift tax law was passed June 6, 1932, and is now part of the Internal Revenue Code, Chapter 4. Thus, any gift made prior to June 6, 1932 and after December 31, 1926 was not subject to gift tax.

The Revenue Act of 1948, effective April 3, 1948, created a new deduction, the marital deduction, granted on gifts from one spouse to another and allowed in an amount equal to one-half of the gift to the spouse if the amount of the gift is included in the total taxable gifts. Other deductions include the $3,000 statutory exclusion from gifts made to an individual during any calendar year; the lifetime exemption of $30,000 for a donor; and exemptions as to gifts to charitable institutions and other types of public gifts.

The gift tax is calculated cumulatively, and is the difference between two different figures: (1) the computation of gift tax on all gifts made between June 6, 1932 to end of present calendar year; and (2) the computation of gift tax on all gifts up to the beginning of the present calendar year, excluding gifts for the present calendar year. This cumulative feature of computation is different from calculation of the income tax, for example, which is calculated for the subject year without reference to any previous years.

GILT EDGED

An expression which denotes best quality, superior merit, first class, or highest grade. It is used in connection with bonds, notes, acceptances, commercial paper, or other prime investments.

GINNERS' REPORT

Cotton ginning reports are issued by the Census Bureau regularly from August to December, with additional reports in January and in March. Other production reports issued by the Census Bureau on cotton are the monthly consumption report, the mill stock report, and the monthly spinning activity report. (See Cotton.)

GIRO SYSTEM

The German equivalent of the check system in the United States. Giro accounts were clearing accounts, and the Reichsbank,with its clearing or giro system, made available to banks, non-banking concerns and individuals the facilities of this nation-wide system through close to 500 branches and many sub-branches.

GIVE UP

In trading in securities or commodities, the term applied to an order executed by one broker for another broker's customer which the client directs be "given up" to the latter broker. (See Methods of Trading.)

GLASS-STEAGALL ACT

The title, applied to show authorship, of an act approved February 27, 1932, which temporarily liberalized the nature of collateral against rediscountable paper, and which permitted the temporary use of obligations of the United States as collateral for Federal Reserve notes, by amendment of Section 16 of the Federal Reserve Act.

This title is more widely known as that used to designate the Banking Act of 1933 (q. v.).

GOING CONCERN

A term applied to a business property in operation, as distinguished from one that temporarily has closed down, is defunct, or is being liquidated. It is frequently used in connection with valuation, the property of a going concern being more valuable than one undergoing liquidation. This is particularly true of a manufacturing industry, or public utility, the property of which consists largely of fixed assets, real estate, buildings, machinery, equipment, etc. Since most machinery is highly specialized in character and can be used for a single purpose, it naturally suffers a great shrinkage in value when sold for purposes of liquidation. The value of a public utility as a going concern and as a liquidating property would obviously be very different.

GOING SHORT

Selling short. (See Short Sale.)

GOLD

See Gold Bars, Gold Bullion Standard, Gold Certificates, Gold Clause Cases, Gold Coins, Gold Consumption, Gold Exchange Standard, Gold Imports, Gold Points, Gold Production, Gold Reserve, Gold Reserve Act of 1934, Gold Standard, Gold Standard Act of 1900.

GOLD BARS

Gold ingots. In accordance with the Gold Reserve Act of 1934, the nation's entire monetary gold stocks were vested in the Treasury of the United States, including $3.5 billion held by the Federal Reserve Banks. Gold bars, which were formerly obtainable at any United States assay office in quantities of $5,000 or over, and from the Federal Reserve Banks in any quantity at the Mint Price of Gold (q. v.), since 1934 have been obtainable from the Treasury for export under license where desired for exchange transactions at $35 per ounce plus handling charge of 1/4 of 1%. The Treasury also purchases gold freely at the statutory price of $35 per ounce less the handling charge.

Gold bars are used extensively in international settlements, and are preferable to coin from the viewpoint of the exporter since they are subject to less loss by abrasion. Most frequently used for monetary purposes is the 400-ounce gold bar. Gold bars are also obtainable for use in the arts and industry. (See Assay Office, Coinage, Mint, Mint Fine Bars, Standard Bullion.)

GOLD BASIS

See Gold Clause, Gold Reserve Act of 1934, Gold Standard Act of 1900, Monetary Unit, Standard Money, Standard of Value.

GOLD BLOC

A term applied to those European countries which, during the world-wide wave of gold suspensions in 1931-32, steadfastly clung to the gold standard. Specifically, the term applied to the seven countries, France (assuming the leadership), Switzerland, Holland, Belgium, Luxemburg, Poland, and Italy, which during the World Economic Conference at London in June and July, 1933, pleaded for a return to the gold standard by some 35 countries which had abandoned it, as a prerequisite to discussions on alleviation and removal of existing barriers to foreign trade. After devaluation of the American dollar in January, 1934, the gold bloc stood almost alone on the old parities, and lost gold heavily to the United States in the flight of capital to the dollar. During World War II, however, foreign countries ceased to lose gold to the United States as the result of Lend-Lease and other military expenditures by the United States abroad. In 1947, gold imports to the United States were resumed in substantial volume, with imports from the United Kingdom, Canada and South Africa accounting for over 70% of gold imports.

Switzerland is now the strongest gold holder in Europe, as France has lost about three-fourths of her 1940-1943 gold holdings. (See Gold Movements.)

GOLD BONDS

Bonds which by their terms were payable in gold coin "of the present standard of weight and fineness," if demanded, as distinguished from "Currency" or "Legal Money" bonds. Bonds were also payable in currency, i. e., any money which was legal tender, but bonds payable in silver were unknown in this country.

These distinctions were obviated by passage of the Joint Resolution of Congress of June 5, 1933, which declared that "every provision contained in or made with respect to any obligation which purports to give the obligee a right to require payment in gold or a particular kind of coin or currency, or in an amount in money of the United States measured thereby" is against public policy, and further provided that "every obligation, heretofore or hereafter incurred, whether or not any such provision is contained therein or made with respect thereto, shall be discharged upon payment, dollar for dollar, in any coin or currency which at the time of payment is legal tender for public and private debts." The Resolution went on to declare all coins and currencies of the United States (including Federal Reserve notes and circulating notes of Federal Reserve Banks and National banking associations) heretofore or hereafter coined or issued, to be legal tender for all debts, public and private, public charges, taxes, duties, and dues.

Validity of the Joint Resolution of June 5, 1933 was upheld in the Gold Clause Cases (q. v.) by the United States Supreme Court.

GOLD BRICK

A stigmatic term used of securities or of business ventures which are unsound, worthless, or actually fraudulent, but which have, nevertheless, the appearance of soundness and attractiveness.

GOLD BULLION STANDARD

A gold standard without redemption of currency in gold coin. The gold bullion standard has the advantage of economizing in the use of gold by keeping it from domestic circulation without preventing its free international movement.

Since 1934, the United States has had a restricted international gold bullion standard, with domestic currency irredeemable in gold, the only redeemable currency being silver certificates, which are redeemable in over-valued silver. Gold, either in coin or bullion, does not circulate domestically, but is available under license from the Treasury at monetary price of $35 per ounce (plus handling charge of 1/4 of 1%) for export for ordinary exchange transactions.

GOLD CERTIFICATES

Gold certificates of the type authorized for public circulation by the Acts of March 14, 1900, March 4, 1907, and March 2, 1911, are no longer permitted in circulation. Under the Emergency Banking Act of March 9, 1933, the Secretary of the Treasury was authorized, whenever in his discretion it was necessary to protect the currency system of the United States, to require the deliyery to the Treasurer of the United States any or all gold bullion, and gold coin and gold certificates, upon payments of an equivalent amount of any other form of currency coined or issued by the United States. Any person failing to comply with any requirement of the Secretary of the Treasury in this connection was subject to a penalty equal to twice the value of the gold or gold certificates involved.

Acting under this authority, the Secretary of the Treasury issued Orders dated December 28, 1933 and January 15, 1934, the latter requiring gold coin, gold bullion and gold certificates to be delivered to the Treasurer of the United States on or before January 17, 1934. As of April 30, 1948, there were outstanding $46 million in gold certificates in circulation outside the Treasury and Federal Reserve Banks, including any held outside the continental limits of the United States.

A new type of gold certificate is legally outstanding today, held only by the Federal Reserve Banks or on hand with the Treasury for the Federal Reserve Banks and Agents. Under the Gold Reserve Act of January 30, 1934, all gold held by the Federal Reserve Banks was transferred to the Treasury, the former receiving credits on the books of the Treasury at the former statutory price for gold of $20.67 per ounce. These credits in turn could be drawn on by the Federal Reserve Banks by the new type of gold certificates, which are authorized to be held by the Federal Reserve Banks only.

The following history of the former type of gold certificates authorized for public circulation is presented for historical purposes.

The gold certificate was a form of United States paper money which in effect read like a warehouse receipt certifying that full value in gold coin had been deposited in the United States Treasury for each dollar represented by the certificate. But under one of the Gold Clause Cases (q. v.), the U. S. Supreme Court ruled that gold certificates were currency, and constituting legal tender, were not to be regarded as warehouse receipts. Gold certificates circulated in lieu of an equivalent amount of actual gold, in which coin they were redeemable at the United States Treasury. They were therefore, secured by 100 per cent. gold reserve.

Historically gold certificates were first circulated in 1863. The Act of March 3, 1863, authorized the Secretary of the Treasury to receive deposits of gold coin and bullion in sums not less than $20, and to issue certificates therefor in denominations not less than $20, said certificates to be receivable for duties on imports. Under this act deposits of gold were received and certificates issued until January 1879, when the practice was discontinued by order of the Secretary of the Treasury. The purpose of the order was to prevent the holders of United States notes from presenting them for redemption in gold, and redepositing the gold in exchange for gold certificates. No certificates were issued after January 1, 1879, until the passage of the bank act of July 12, 1882, which authorized and directed the Secretary of the Treasury to receive gold coin and issue certificates, and made them receivable for customs, taxes, and all public dues.

This act, however, provided that "the Secretary of the Treasury shall suspend the issue of gold certificates whenever the amount of gold coin and gold bullion in the Treasury, reserved for the redemption of United States notes, falls below one hundred millions of dollars." The act of March 14, 1900, reenacted this provision, and further provided that the Secretary could, in his discretion, suspend such issue whenever and so long as the aggregate amount of United States notes and silver certificates in the general fund of the Treasury shall exceed $60,000,000. It provided further that of the amount of such certificates outstanding one-fourth, at least, should be in denominations of $50 or less and authorized the issue of certificates in $10,000 denomination, payable to order.

The Act of March 4, 1907, provided for the receipt of deposits of gold coin in sums of not less than $20 and the issue of gold certificates therefor in denominations of not less than $10, and the Act of March 2, 1911, authorized the issue of certificates against the deposits of gold bullion of foreign coin.

Gold certificates were issued in denominations of $10, $20, $50, $100, $500, $1,000, $5,000, and $10,000. They were not originally legal tender, but were made full legal tender by an act of Congress, December 24, 1919. These certificates had largely disappeared from public circulation in the decade preceding 1933, since they were eligible to secure Federal Reserve notes, and were largely held by the Federal Reserve banks as collateral therefor.

(See Emergency Banking Relief Act; Gold Reserve Act of 1934.)

GOLD CLAUSE CASES

The gold clause contained in all public obligations, e. g., Government bonds, and in many private long-term obligations (bonds, mortgage notes and leases) called for payment in gold coin of, or equal to, the "present standard of weight and fineness." For example, the text of a typical gold clause bond, the U. S. Treasury 4 1/4 per cent. bonds of 1947/52, read: "The principal and interest hereof are payable in United States gold coin of the present standard of value." The particular standard referred to was the gold dollar of 25.8 grains nine-tenths fine.

A gold clause was first included in the laws of the

United States in 1869. As part of the effort to restore the credit of the Government after Civil War greenbacks had depreciated in value, Congress enacted a law which pledged the payment of coin or its equivalent for greenbacks and also for interest-bearing obligations.

The act of February 4, 1910, provided that "any bonds and certificates of indebtedness of the United States hereafter issued shall be payable, principal and interest, in the United States gold coin of the present standard of value." The second Liberty bond act in authorizing the issuance of bonds provided that "the principal and interest hereof shall be payable in United States gold of the present standard of value."

By the Gold Repeal Joint Resolution (q. v.) of Congress, approved June 5, 1933, "to assure uniform value to the coins and currencies of the United States," the gold clause in all Federal and other public obligations as well as private obligations was cancelled and eliminated, applicable both to outstanding securities and those issued thereafter, and providing for payment in legal tender money. Specifically, the resolution accomplished the following purposes: (1) It declares that the clauses in public and private obligations stating that they are payable in gold or a specific coin or currency are contrary to public policy; (2) It provides that obligations, public and private, expressed to be payable in gold or in a specific coin or currency, may be discharged, dollar for dollar in legal tender. Inclusion of a clause for payment of future obligations, public or private, in gold or in a specific coin or currency is prohibited; and (3) It clarifies a provision of the Thomas inflation amendment to the Agricultural Adjustment Act which stipulated that coins and currencies issued by the United States, shall be legal tender for all debts, public and private.

The constitutionality of the Gold Repeal Joint Resolution was challenged in the United States Supreme Court in the Gold Clause Cases, decided February 18, 1935: (1) Norman v. The Baltimore & Ohio Railroad Co., a suit brought upon a coupon of the railroad's issue on February 1, 1930 of 4 1/2s due February 1, 1960; and two cases entitled United States of America, Reconstruction Finance Corporation, et al v. Bankers Trust Co. and William H. Bixby, Trustees, involving the gold clause in an issue of bonds of the St. Louis, Iron Mountain & Southern Railway Co. dated May 1, 1903 and due May 1, 1933. These cases were decided together. (2) Nortz v United States, concerning the gold clause in gold certificates, series of 1928; and (3) Perry v. United States, involving the gold clause in Liberty Bonds issued under the Act of September 24, 1917.

In all of these cases, the United States Supreme Court upheld the constitutionality of the Gold Repeal Joint Resolution as a valid exercise of the power of Congress over the monetary system expressly delegated to it by the United States Constitution.

GOLD CLEARANCE FUND

Now known as the Inter-District Settlement Fund (q. v.).

GOLD COINS

The Gold Reserve Act of January 30, 1934, declared the coinage of gold at an end. For historical purposes, the following information is given.

The table appended herewith tabulates the denominations, and weight and fineness of the United States gold coins formerly coined and in circulation.

While the gold dollar was the monetary unit and standard of value, the actual coinage of the $1 piece was discontinued under authority of the Act of September 26, 1890. Up to January 30, 1934, gold was coined in denominations of $5, $10, and $20, called respectively, half eagles, eagles, and double eagles.

Total gold coinage in circulation outside the Treasury circulation outside the Treasury and Federal Reserve Banks in February, 1933 reached $284 million, as compared with $65 million in April, 1931, and $192 million the previous month, January, 1933. Legislative and Presidential action to reclaim hoarded gold from circulation began in March, 1933, and on March 9, 1933 the Emergency Banking Act was passed, empowering the Secretary of the Treasury to require delivery of all gold and gold certificates held by anybody in the country Gold certificates had reached a total of $649 million in circulation February, 1933, compared with $591 million in January, 1933.

Under the order of the Secretary of the Treasury of December 28, 1933, as amended and supplemented on January 11, 1934 and January 15, 1934, all gold coin domestically owned (with minor exceptions) was required to be delivered for the account of the Treasurer of the United States. The Gold Reserve Act of 1934, passed January 30, 1934, required gold coin to be withdrawn from circulation and formed into bars as backing for paper currency In January, 1934, when the figure for gold coin was discontinued in the monthly circulation statement issued by the Treasury, the Board of Governors states, $287 million of gold coin was reported as still in circulation. This amount, the Board of Governors reports, is believed to have been largely lost or melted down or otherwise to have disappeared from circulation over the years. In 1914, gold coin and gold certificates totaled over 44% of total currency in circulation, but by February, 1933, despite the increase ascribed to hoarding, gold coin and gold certificates totaled only 15% of total circulation, and the bulk of circulation was Federal Reserve Notes (q. v.).

United States Gold Coins

No Longer Coined

(Old Basis of $20.67 an ounce for gold)

Denominations	Fine Gold Contained Grains	Alloy Contained Grains	Weight Grains	Fineness
One dollar ($1)	23.22	2.58	25.80	0.900
Quarter eagle ($2.50)	58.05	6.45	64.50	0.900
Half eagle ($5)	116.10	12.90	129.00	0.900
Eagle ($10)	232.20	25.80	258.00	0.900
Dougle eagle ($20)	464.40	51.60	516.00	0.900

United States gold coins were legal tender in all payments at their nominal value when not below the standard weight and limit of tolerance provided by law for a single piece, and when reduced in weight below such standard and tolerance were legal tender in valuation in proportion to their actual weight. Since gold coins were subject to abrasion, their weight was subject to reduction (See Tolerance). The public did not generally concern itself about abrasion as long as the impression upon the coin was discernible. (See United States Money.)

GOLD CONSUMPTION

Chief use of gold is for monetary purposes. Gold consumption in the arts and science in the United States since 1913 has compared as follows:

Net Industrial Consumption of Gold
(in thousands of dollars)

Year	Returned from Industrial Use	Issued for Industrial Use	Net Industrial Consumption
1946	$45,999	$199,686	$153,687
1945	30,992	139,936	108,944
1944	25,679	122,977	97,298
1943	10,521	96,864	86,943
1942	28,448	75,742	47,295
1941	30,975	67,977	37,002
1940	27,872	41,178	13,306
1939	31,328	38,789	7,461
1938	30,481	30,157	--324
1937	36,408	39,622	3,214
1936	35,876	32,968	--2,908
1935	58,391	25,929	--32,461
1934	75,927	14,233	--61,694
1933	22,806	17,013	--5,793
1932	26,595	20,105	--6,490
1931	23,227	29,158	5,931
1930	27,512	42,689	15,178
1929	32,031	56,904	24,873
1928	30,276	56,582	26,306
1927	30,369	56,820	26,450
1926	32,063	62,991	30,927
1925	30,092	61,226	31,134
1924	32,320	64,791	32,471
1923	31,265	66,892	35,627
1922	24,683	56,614	31,930
1921	28,014	48,455	20,442
1920	29,534	79,715	50,181
1919	21,035	76,132	55,097
1918	20,327	53,014	32,687
1917	19,082	50,416	31,333
1916	20,185	50,042	29,857
1915	12,698	36,126	23,428
1914	12,935	36,137	23,202
1913	8,362	45,864	37,502

Note: Gold valued at $20.67 per ounce, 1913-1933, inclusive; at $35 per ounce thereafter.
--Excess of returns from industrial use.

GOLD DOLLAR

See Gold Coins, Monetary Unit.

GOLD EXCHANGE STANDARD

A system whereby a country keeps its money on a gold basis by keeping it at a substantial parity with the money of a country maintaining a full gold standard. Countries having a gold exchange standard rely upon some form of token money for circulation purposes. Through operations in the foreign exchange market the domestic money is maintained at a value between the normal gold points. If the country's money, which is used as the standard, goes up to the gold export point in terms of the domestic money the gold exchange standard country (through the maintenance of balances in the country whose money serves as the standard) sells bills on such country until the exchange rate is pushed below the export point. Funds obtained from the sale of exchange are then sequestered until bills on the standard country are offered for it when the exchange rate drops to what would in turn be the gold import point. In this way the domestic money is kept at a normal gold value in the international market. The great advantage of the gold exchange standard is its economy, since no large investment in gold is necessary.

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GOLD EXPORT POINT

See Gold Points.

GOLD EXPORTS

See Gold Imports, Gold Movements.

GOLD HOLDINGS

See Gold Reserve.

GOLD IMPORT POINT

See Gold Points.

GOLD IMPORTS

The net gold imports into the United States since 1912 have compares as follows:

Gold Movements
of the United States
(000 omitted)

Year	Imports	Exports	Net Imports
1947	$2,079,588	$213,241	$1,866,347
1946	532,962	221,468	311,494
1945	93,718	199,968	--106,250
1944	113,836	959,228	--845,392
1943	101,793	32,855	68,938
1942	315,780	102	315,678
1941	982,442	64	982,378
1940	4,749,467	4,995	4,744,472
1939	3,574,659	508	3,574,151
1938	1,979,458	5,889	1,973,569
1937	1,631,523	46,020	1,585,503
1936	1,144,117	27,534	1,116,584
1935	1,740,979	1,960	1,739,019
1934	1,186,671	52,759	1,133,912
1933	193,197	366,652	--173,456
1932	363,315	809,528	--446,212
1931	612,119	466,794	145,325
1930	396,054	115,967	280,086
1929	291,649	116,583	175,066
1928	168,897	560,759	--391,862
1927	207,535	201,455	6,080
1926	213,504	115,708	97,796
1925	128,273	262,640	--134,367
1924	319,721	61,648	258,073
1923	322,716	28,643	294,072

Gold Movements

of the United States

(000 omitted)

Continued

Year	Imports	Exports	Net Imports
1922	275,170	36,875	238,295
1921	691,248	23,891	667,357
1920	417,068	322,091	94,977
1919	76,534	368,185	--291,651
1918	62,043	41,010	21,033
1917	522,454	371,884	180,570
1916	685,992	155,793	530,199
1915	451,955	31,426	420,529
1914	57,388	222,616	--165,238
1913	63,705	91,7999	--28,094
1912	66,549	47,425	19,124

Note: Gold valued at $20.67 per ounce 1912-1933; at $35 per ounce thereafter.
--Net exports.

GOLD INFLATION

A condition said to exist in a country when it possesses abnormally large holdings of gold, which are available as a basis of credit expansion. According to the exponents of the "quantity theory" of money, gold inflation is one of the causes of high prices. It is a condition which automatically tends to correct itself since high prices tend to discourage foreign buying and to encourage importing. This is likely to lead to an excess of imports over exports. Since an excess of imports usually is paid for in gold, a reduction in gold holdings is thereby effected. (See Gold Reserve.)

GOLD MOVEMENTS

Following the devaluation of the American dollar in January, 1934, and increase in the monetary price of gold from $20.67 to $35 per ounce, a large inflow of gold began to the United States which was not interrupted until well along in World War II, when Lend-Lease and military expenditures abroad were chiefly instrumental in reversing the flow in 1944 and 1945. The inflow of gold was resumed in 1946, and increased substantially in 1947.

The table at foot of page summarizes the net inflow of gold to the United States since 1933, together with British Commonwealth sources of gold imports, the principal gold exporting countries, and comparison with total monetary gold stock of the United States.

GOLD NOTES

Notes payable in gold coin of the "present standard of weight and fineness," if demanded, in the same manner as Gold Bonds (q. v.).

In accordance with the Joint Resolution of Congress of June 5, 1933, which was upheld by the U. S. Supreme Court in the Gold Clause Cases (q. v.), such obligation is dischargeable by payment in legal tender.

GOLD POINTS

Specie points; the gold export and import points which in normal times fix respectively the upper and lower limit to the range of fluctuation of currency or foreign exchange rates quoted for a given foreign country. Whenever the rate of exchange rises to a point where it would be cheaper for importers to export gold than to buy exchange, the gold export point is reached. Under ordinary conditions the gold export point on a foreign currency represents that premium over the par of exchange at which it is cheaper to ship gold than to pay the premium for the exchange. On the other hand, when the rate of exchange declines to a point where it is

Net Gold Movements to the United States

(in thousands of dollars)

Year	Gold Stock	Total Net Gold Imports	United Kingdom	South Africa	Canada	Australia
1947	$22,754	$1,866,348	$488,533	$410,691	$445,353	$ 124
1946	20,529	311,494	458	118,550	344,130	41
1945	20,065	--106,250	160	357	53,148	106
1944	20,619	--845,392	--695,483	3,572	46,210	199
1943	21,938	68,938	88	307	66,920	152
1942	22,726	315,678	1,955	4,119	208,917	528
1941	22,737	982,378	3,779	292,893	412,056	67,492
1940	21,995	4,744,472	633,083	184,756	2,622,330	103,777
1939	17,644	3,574,151	1,826,403	22,862	612,949	74,250
1938	14,512	1,973,569	1,208,728	401	76,315	39,162
1937	12,760	1,585,503	891,531	181	111,480	34,173
1936	11,528	1,116,584	174,094	8	72,648	23,280
1935	10,125	1,739,019	315,517	65	95,171	3,498
1934	8,238	1,133,912	501,632	12	86,612	1,029
1933	4,036	--173,456	6,378	103	19,894	3,176

Note: Gold valued at $20.67 an ounce for 1933; at $35 an ounce thereafter.
--Net exports.
Source--Board of Governors of the Federal Reserve System.

(See Foreign Exchange, Gold Imports, Gold Reserve.)

cheaper for foreign buyers to ship gold than to remit in exchange, the gold import point is reached.

In practice, of course, it is international bankers who have special facilities, rather than private individuals, who undertake gold shipments. (See Foreign Exchange.)

GOLD PRODUCTION

The principal gold producing countries of the world in order of their importance are: South Africa, Russia, Canada, United States, Australia, West Africa (Gold Coast), Rhodesia, Mexico, Colombia and the Belgian Congo. Japan also ranked as one of the leading producers prior to World War II. Among other countries, the production of India and Chile has steadily declined in recent years to minor totals, while that of Nicaragua has increased sharply percentage-wise, although still at a relatively low aggregate. Approximately 75 per cent. of recent years' world gold production has been in possessions of the British Empire. Before 1840 practically all gold came from Russia. Gold producing countries are normally gold exporting countries, and thus in recent years, the bulk of net gold imports into the United States has been from the British Empire.

History of Production.--From 1860 to 1890, annual world production of gold was relatively stable, with only moderate annual fluctuations. The United States produced only small quantities of gold until its discovery in California in 1849. From 1850 to 1886, as a result of gold mining in California, the United States produced over one-third of the world's gold, but gradually the ratio of American gold production to world production has declined, and in recent years has been only 4% to 6%. Rich gold deposits were found in Australia about 1850. Gold discoveries in California and Australia accounted for the sudden increase in world production from 1840 to 1860.

Beginning about 1891, world gold production began another expansion, due to the discovery of the Yukon and South African fields, and to improvements in methods of extraction (hydraulic and cyanide processes). Recovery of gold from known ore reserves became a technical industrial process. The Yukon mines have declined in importance, but the South African mines have proved to be the most prolific in history.

Gold production reached a peak in 1915 for the world and the United States, and then began a declining trend for seven years to 1922. Since that year, it has been increasing steadily. Under the old price of $20.67 per ounce statutory price for the United States, world production reached a peak of $525,071,000 in 1933.

A new era in gold production opened with the increase in the American statutory price for gold from $20.67 to $35 per ounce. Measured in fine ounces, world production reached a peak of 42, 270,000 ounces (Bureau of Mines estimate) in 1940, 66% above the old 1933 peak of 25,367,000 ounces. Since 1940, the world total has receded, particularly during World War II years, when shortages in equipment and manpower affected production. The rise in the cost of mining has also affected production, but nevertheless, beginning in 1946 a small recovery is beginning to appear.

Stocks.-- Estimates of world stocks of gold are impossible to compute with any degree of accuracy, because of the secrecy surrounding the true gold resources of many countries. The Board of Governors of the Federal Reserve System estimated that foreign gold reserves at the end of September, 1944 were some $14 billions. At that time, United States monetary gold stock totaled some $21 billions.

Reference is made to the appended tables for comparative world and United States production since 1910 (Table I), and production of principal producing countries in recent years (Table II);

(See Gold Reserve.)

Table I.

Gold Production

Year	-----000 omitted----- World	United States
1947	N.A.	$81,219
1946	$762,195	51,182
1945	745,430	32,511
1944	794,080	35,778
1943	880,495	48,808
1942	1,130,115	130,963
1941	1,411,627	209,175
1940	1,437,349	210,109
1939	1,383,705	196,391
1938	1,319,617	178,143
1937	1,229,140	168,159
1936	1,152,569	152,509
1935	1,049,974	126,325
1934	958,033	108,191
1933	525,071	52,842
1932	498,164	50,626
1931	460,651	49,527
1930	432,119	47,248
1929	397,153	45,651
1928	390,387	46,165
1927	393,980	45,419
1926	395,199	48,270
1925	384,010	49,860
1924	384,900	52,277
1923	368,897	51,734
1922	320,349	48,849
1921	330,702	50,067
1920	333,785	51,187
1919	358,444	60,333
1918	384,251	68,647
1917	420,592	83,751
1916	455,456	92,590
1915	472,284	101,036
1914	447,608	94,532
1913	466,284	88,884
1912	467,288	93,452
1911	462,990	96,890
1910	455,239	96,269

Note: Valued at $20.67 per ounce 1910-1933; at $35 per ounce thereafter. N.A. --Not available.

Sources: World production, 1942-1946, estimates of U. S. Bureau of Mines, excluding Russia.
World production, 1910-1941, estimates of U. S. Mint.
U. S. production, 1910-1947, U. S. Mint, including Philippine production received in United States through 1945.

Table II.

World Production of Gold

(in thousands of dollars)

Year	[1]Estimated World Production	Principal Producing Countries: South Africa	Canada	[2]United States	Australia	Rhodesia	Mexico	[3]Japan
1947	N.A.	$392,004	$107,432	$81,219	$32,808	$18,296	$16,250	N.A.
1946	$762,195	417,647	99,139	51,182	28,857	19,061	14,703	$1,260
1945	745,430	427,862	94,385	32,511	23,002	19,888	17,458	N.A.
1944	794,080	429,787	102,302	35,778	22,990	20,746	17,793	6,265
1943	880,495	448,153	127,796	48,808	26,295	23,009	22,081	12,915
1942	1,130,115	494,439	169,446	130,963	40,383	26,641	28,018	15,795
1941	1,265,600	504,268	187,081	209,175	52,384	27,765	27,969	N.A.
1940	1,311,450	491,628	185,890	210,109	57,540	29,155	30,878	31,500
1939	1,219,400	448,753	178,303	196,381	57,599	28,009	29,426	29,260
1938	1,142,400	425,649	165,379	178,143	55,721	28,532	32,306	26,600
1937	1,041,576	410,710	143,367	168,159	46,982	28,296	29,591	25,065
1936	971,514	396,768	131,181	152,509	40,118	28,053	26,465	23,684
1935	882,533	377,090	114,971	126,325	31,240	25,477	23,858	20,043
1934	823,003	366,795	104,023	108,191	30,559	24,264	23,135	16,354
1933	469,257	227,673	60,968	52,842	16,873	13,335	13,169	8,968
1932	458,102	238,931	62,933	50,626	14,563	12,000	12,070	8,198
1931	426,424	224,863	55,687	49,524	12,134	11,193	12,866	8,109
1930	401,088	221,526	43,454	47,123	9,553	11,476	13,813	8,021

N.A.--Not available.

Note: Gold valued at $20.67 per ounce 1930-1933, inclusive; at $35 per ounce thereafter.

(1) Estimates of U. S. Bureau of Mines, excluding Russia. Estimates for Russia are as follows:
1946, $210 million;
1945, $175 million;
1944, 1943 and 1942, $140 million;
1941 and 1940, not available;
1939, $182 million;
1938, $180 million;
1937, $185 million;
1936, $187 million;
1935, $158 million;
1934, $135 million;
1933, $56 million;
1932, $40 million;
1931, $34 million;
1930, $31 million.

(2) Includes Philippine production received in United States through 1945.

(3) Estimates of Bureau of Mines, 1938-1946, inclusive.

Source--Board of Governors of the Federal Reserve System.

GOLD REPEAL JOINT RESOLUTION

The following is the text of the Gold Repeal Joint Resolution, approved June 5, 1933, and otherwise known as Uniform Value of Coins and Currencies Resolution:

(Public Resolution—No. 10—73D Congress)

(H. J. Res. 192)

JOINT RESOLUTION

To assure uniform value to the coins and currencies of the United States.

Whereas the holding of or dealing in gold affect the public interest, and are therefore subject to proper regulation and restriction; and

Whereas the existing emergency has disclosed that provisions of obligations which purport to give the obligee a right to require payment in gold or a particular kind of coin or currency of the United States, or in an amount in money of the United States measured thereby, obstruct the power of the Congress to regulate the value of the money of the United States, and are inconsistent with the declared policy of the Congress to maintain at all times the equal power of every dollar, coined or issued by the United States, in the markets and in the payment of debts. Now, therefore, be it

Resolved by the Senate and House of Representatives of the United States of America in Congress assembled,

That (a) every provision contained in or made with respect to any obligation which purports to give the obligee a right to require payment in gold or a particular kind of coin or currency, or in an amount in money of the United States measured thereby, is declared to be against public policy; and no such provision shall be contained in or made with respect to any obligation hereafter incurred. Every obligation, heretofore or hereafter incurred, whether or not any such provision is contained therein or made with respect thereto, shall be discharged upon payment, dollar for dollar, in any coin or currency which at the time of payment is legal tender for public and private debts. Any such provision contained in any law authorizing obligations to be issued by or under authority of the United States, is hereby repealed, but the repeal of any such provision shall not invalidate any other provision or authority contained in such law.

(b) As used in this resolution, the term "obligation" means an obligation (including every obligation of and to the United States, excepting currency) payable in money of the United States; and the term "coin or currency" means coin or currency of the United States, including Federal Reserve notes and circulating notes of Federal Reserve banks and national banking associations.

Sec. 2. The last sentence of paragraph (1) of subsection (b) of section 43 of the Act entitled "An Act to relieve the existing national economic emergency by increasing agricultural purchasing power, to raise revenue for extraordinary expenses incurred by reason of such emergency, to provide emergency relief with respect to agricultural indebtedness, to provide for the orderly liquidation of joint-stock land banks, and for other purposes," approved May 12, 1933, is amended to read as follows:

"All coins and currencies of the United States (including Federal Reserve notes and circulating notes of Federal Reserve banks and national banking associations) heretofore or hereafter coined or issued, shall be legal tender for all debts, public and private, public charges, taxes, duties, and dues, except that gold coins, when below the standard weight and limit of tolerance provided by law for the single piece, shall be legal tender only at valuation in proportion to their actual weight."
Approved, June 5, 1933, 4:40 P. M.

Validity of the Gold Repeal Joint Resolution was upheld by the U. S. Supreme Court in the Gold Clause Cases (q. v.).

GOLD RESERVE

The gold held in a nation's Treasury, or in the Government or central bank, which is available for (1) the redemption of circulating notes of the Government or of the central bank, and (2) export abroad to settle an unfavorable trade balance, to correct depreciated exchange rates, or as a loan to obtain higher interest rates than prevail at home. In the United States, all gold reserves were vested in the Treasury by the Gold Reserve Act of 1934 (q. v.), the Federal Reserve Banks receiving gold credits therefor redeemable in gold certificates eligible for holding by Federal Reserve Banks only. As of the close of December, 1947, gold reserves of the United States totaled $22,754 million, not including $114 million balance in the Exchange Equalization Fund.

Because of the secrecy surrounding gold reserves of central banks and governments throughout the world, estimates of world gold reserves were discontinued in January, 1934 by the Board of Governors of the Federal Reserve System, at which date the figure stood at $12,028.9 million, consisting largely of the United States total, $4,033.3 million, and the total for France, $3,020.6 million. Gold holdings of the Bank of England were reduced to a nominal amount by gold transfers to the British Exchange Equalization Account during 1939.

The United States Treasury is required by the Gold Standard Act of 1900 (q. v.), to maintain a gold reserve of at least $100 million against $347 million of United States Notes. At present there are maintained in the Treasury as a reserve for United States Notes and Treasury Notes of 1890, $156 million in gold bullion. The Treasury also maintains as security for gold certificates gold bullion of a value at the legal standard equal to the face amount of the gold certificates outstanding.

The bulk of the gold reserve of the United States was held by the Federal Reserve banks as a central reservoir of credit, and steadily increased since 1916. By the Gold Reserve Act of 1934 (q. v.), however, all the gold stocks of the nation were taken over by the U. S. Treasury, including those held by the Federal Reserve banks, which were given Treasury gold credits therefor redeemable in gold certificates. The gold reserve of the Federal Reserve System had four purposes: (1) to provide the 40 per cent. cover required for Federal Reserve notes; (2) to provide with the other forms of lawful money the 35 per cent. cover required for deposits; (3) to provide a settlement fund as a basis for the Federal Reserve Inter-District Collection System (q. v.); and, until elimination of a free gold market in 1933 and 1934, (4) to provide a free gold market where gold could be purchased or sold at home or abroad. Gold certificates now fulfill the first three functions.

The changes in amount and percentage of the gold holdings of the United States to the total gold holdings of the world are given in table below.

(See Gold Production.)

Gold Reserves of Central Banks and Governments

(in millions of dollars)

Year	Estimated World Total	United States	Per Cent. U. S. to World
1947		$22,754	
1946		20,529	
1945		20,065	
1944		20,619	
1943		21,938	
1942		22,726	
1941		22,737	
1940		21,995	
1939		17,644	
1938		14,512	
1937		12,760	
1936		11,258	
1935		10,125	
1934	$12,028.9*	4,033*	33.5%
1933	12,004.8	4,012	33.4
1932	11,933.6	4,045	33.9
1931	11,324.3	4,052	35.8
1930	10,944.7	4,225	38.6
1929	10,336.2	3,900	37.7
1928	10,058.0	3,746	37.2

Year	Estimated World Total	United States	Per Cent U. S. to World
1927	9,593.4	3,977	41.5
1926	9,234.0	4,083	44.2
1925	8,997.6	3,985	44.3
1924	8,976.9	4,090	45.6
1923	8,653.2	3,834	44.3
1922	8,417.7	3,506	41.6
1921	8,044.5	3,221	40.0
1920	7,255.6	2,451	33.8
1919	6,805.4	2,518	37.0
1918	6,816.4	2,658	39.0
1917	7,147.9	2,523	35.3
1916	6,630.7	2,202	33.2
1915	6,241.3	1,707	27.3
1914	5,344.6	1,207	22.6
1913	4,859.0	1,290	26.5

Note: World totals are incomplete and not fully comparable; omitted beginning February, 1934.
*January, 1934.
Gold valued at $20.67 per ounce, 1913-January, 1934, inclusive; at $35 per ounce thereafter.
Source--Board of Governors of the Federal Reserve System.

GOLD RESERVE ACT OF 1934

An act, passed January 30, 1934, which authorized the President to revalue the dollar at 50 to 60 per cent. of its existing statutory gold equivalent. On January 31, 1934, the dollar's gold weight was reduced from 25-8/10ths grains to 15-5/21s grains, nine-tenths fine, by Proclamation of the President. This made the dollar's gold value 59.05+ per cent of the par fixed by the Gold Standard Act of 1900 (q. v.), and resulted in a gold "profit" or increment of some $2,806 million. It should be noted that the emergency power of the President to alter the weight of the gold dollar had expired July 1, 1943, although his power to alter the weight of silver and other coins to the same extent of change in weight of the gold dollar still continues.

Created a $2,000,000,000 stabilization fund out of the increased value of the gold accruing as a result of devaluation of the dollar, placing it in the sole charge of the Secretary of the Treasury and vesting him with authority to expend it in virtually any transactions he might deem necessary for stabilizing the dollar abroad.

Declared the coinage of gold at an end, the metal to be held in bullion form in the Treasury as backing for paper currency.

Vested in the Treasury of the United States the title to all the nation's monetary gold stocks, including $3,500,000,000 held by the Federal Reserve banks.

Removed several then existing restrictions upon the issuance of government securities, provided that any type of government obligation might be purchased with any other type and that securities might be sold privately and authorized the issuance of $2,500,000,000 additional Treasury notes.

Authorized the President (in the Pittman silver amendment), first, to pay for newly mined silver in certificates instead of in silver dollars; second, to issue certificates against the silver bullion which the Treasury would be thus amassing; third, to issue certificates against all free silver held in the vaults of the Treasury; fourth, to reduce the weight of the silver dollar in such amounts as might be necessary to maintain a parity with the gold dollar under the new revaluation policy, and, fifth, to increase the seigniorage, or mint fee, for coinage of foreign silver or silver not produced in the United States or its dependencies.

GOLD SETTLEMENT FUND

See Interdistrict Settlement Fund.

GOLD SHIPMENT POINT

Gold Points.

GOLD STANDARD

The employment of gold as the ultimate of redemption of internal currencies, and for settlement of trade or financial balances without restriction.

Brief History of Gold Coinage.--The ancient world recognized both gold and silver as a means of storing or conserving wealth. Throughout Asia Minor, Egypt and Greece, gold was in the ascendancy when these civilizations were reaching their crest. The Roman Empire used copper, silver and gold coins. Silver and gold were in concurrent circulation at a ratio of about 10 to 1. With removal of the capital to Byzantium and exhaustion of Spanish mines, gold tended to disappear in Western Europe after 400 A. D. From the 6th to the 13th century there was little gold to be found in Western Europe, and silver prevailed as a single standard.

One of the results of the crusades was to stimulate gold production in Asia Minor, and to bring gold back to Western Europe, so that the double standard prevailed in Europe from 13th to 19th century. In 1252, the first gold coins were minted in Europe—the gold florin of the Netherlands. But bi-metallism flourished until the early part of the 19th century.

Beginnings of Gold Standard.--The single gold standard, in terms of world history, is a comparatively modern device. The single gold standard is to be defined as making gold a single standard and relegating silver to subsidiary coinages for Government account only and for limited quantities.

England was the first nation to adopt the single gold standard about the time of the industrial revolution. The law of 1774 (providing that silver coin should not be legal tender for more than 25 pounds in one payment, except at its bullion value) practically accomplished this end, even though its meaning was only partly understood The single gold standard was reinforced by the acts of 1799 and 1816. By 1816, gold was consciously a single standard in the sense now known.

United States remained on a bi-metallic standard until the Act of 1853. The single gold standard was further reinforced by the Specie Resumption Act of 1873, and the Gold Standard Act of 1900. Portugal established the gold standard in 1854; France in 1864; Germany in 1871.

Tradition of Gold Standard.—Experience over a long period of years by leading commercial countries has shown that gold furnishes a more desirable and trustworthy standard of value than any other commodity; hence, it has been adopted by most nations, under varying regulations, as the standard of ultimate redemption for note issues and subsidiary coinages. Because of its universal acceptability, gold is the leader among monetary metals recognized as providing a basis for international settlements. Its adoption as a monetary standard is due not only to its inherent commodity value, but also because of its relative stability of value. Although no commodity is free from fluctuating value, gold con-

forms to the requisite of stability better than any other. The reason for this is that the changes in production and consumption of gold are fairly uniform. Based on estimated world stocks, annual gold production even in recent years of stimulation has increased 2% to 5% per annum, with the rate of increase in latest years about 2% per annum, and since old stocks do not deteriorate, annual production becomes an increment to the world supply. This rate of increase is moderate, considering the need for monetary purposes because of the so-called maldistribution of gold particularly for raw material producing countries

The type of gold standard in operation varies with different countries. Before the United States abandoned the gold standard in 1933, the Federal Reserve Board pointed out that the United Stated was the only country which had a full and complete gold standard. By this was meant that the United States imposed no restrictions internally or externally on gold movements. Gold might be imported or exported free of all Government restrictions. Full redemption of circulating notes and gold certificates in any amount in gold was provided, and there was an obligation to exchange gold coin for gold bullion at equivalent value without limitation as to quantity. Elsewhere, the gold standard was modified by qualifications. Other countries, by contrast, had adopted a gold bullion standard, or gold exchange standard. Under the former, there is no interference with international shipments, but obligation to redeem circulating notes in minimum amounts of bullion. Furthermore, the Government does not obligate itself to purchase gold bullion at a fixed price representing gold coin parity. Under the gold exchange standard, the central bank has the option of redeeming its notes either fully or partly in gold or in drafts upon countries which maintain a gold standard. Under this system, a large gold reserve within the country itself becomes unnecessary, but this is possible only where the country is able to maintain an excess of merchandise exports over imports. Varieties of the gold standard include: the gold-coin standard; gold bullion standard; international gold bullion standard (characteristic of the post-World War II world); gold exchange standard; gold bullion-exchange standard; gold coin-exchange standard; gold coin-bullion-exchange standard; and foreign exchange standard. Supplementing operations since 1931 have been the exchange equalization funds, with more or less secret operations, exchange control systems, and multilateral or bilateral currency and trade agreements.

Suspension and Revaluation.--During World War I, practically all European nations were unable to maintain the customary gold standard. Embargoes on gold shipments were frequent. Internally, the monetary standard became a reduced gold basis or paper currency. Following World War I, these currencies were demoralized and the efforts to attain stabilization by means of repudiation, revaluation, or restoration, resulted in the decade following the end of World War I in the following changes in rate of conversion of European currencies into the American dollar (source--Board of Governors of the Federal Reserve System):

Austria: 1923-1924, 1 gold krone, $0.2026; 1925, 1 schilling, $0.1407.

Belgium: 1913-1925, 1 franc, $0.1930; 1926, 1 belga, $0.1390.

Bulgaria: 1913-1926, 1 lev, $0.1930; 1927, 1 lev, $0.0072.

Estonia: 1921-1922, 1 Estonian mark, $0.00238; 1924-1927, 1 Estonian mark, $0.00268, 1928, 1 kroon, $0.2680.

Finland: 1913-1925, 1 markka, $0.1930; 1925, 1 markka, $0.0252.

France: 1913-1928, 1 franc, $0.1930; 1928, 1 franc, $0.0392.

Germany: 1913-1923, 1 mark, $0.2382; 1924, 1 Reichsmark, $0.2382.

Greece: 1913-1928, 1 drachma, $0.1930; 1928, 1 drachma, $0.0130.

Hungary: 1924, 1 korona, $0.2026; 1925, 1 pengo, $0.1749.

Italy: 1913-1926, 1 lira, $0.1930, 1927, 1 lira, $0.0526.

Poland: 1913-1923, 1 Polish mark, $0.2382; 1924-1926, 1 zloty, $0.1930; 1927, 1 zloty, $0.1122.

Rumania: 1913-1929, 1 leu, $0.1930; 1929, 1 leu, $0.0060.

Russia: 1913-1917, 1 ruble, $0.5146; 1922, 1 chervonetz, $5.1460.

Gold Suspensions 1931-32—After having maintained its pre-World War I gold parity throughout the stress of the decade following World War I, England took the lead in suspending gold in 1931. Following suspension of gold payments by England on September 21, 1931, a great wave of abandonments of the gold standard immediately followed throughout the world during the remainder of 1931, and first half of 1932. Altogether, more than forty nations deserted the gold standard either directly and officially, or by applying stringent regulations or controls over gold exports and foreign exchange during this period. The gold bloc nations were the only important nations to maintain the traditional gold standard, United States having officially suspended payments on April 19, 1933.

Most countries outside the gold bloc (France, Switzerland, the Netherlands and Belgium) became involved in exchange depreciation races or exchange control, and thus a flight of gold to the gold bloc countries ensued which continued until 1934, when the basically strongest currency of all, the American dollar, was finally stabilized and devalued, and the gold bloc found themselves practically alone on the old gold parities. Then ensued a flight of gold to the United States which during the period February, 1934 to December, 1940 gained a total of $15 billions in gold reserves, compared with $5 billions decline in gold reserves of foreign countries. This flight of gold was induced not only by the increasingly insecure position of the gold bloc, but also by the deepening developments of World War II. The increase in the American monetary price for gold from $20.67 to $35 per ounce helped foreign countries considerably in meeting this flight of gold to the United States. During World War II, the tremendous Lend-Lease and military expenditures of the United States in foreign countries stopped the flow of gold to the United States, and on balance foreign countries ceased to lose gold.

In the post-World War II period, the inflow of gold to the United States has been resumed, and it remains to be seen to what extent the European Recovery Program (q. v.) will help to reverse the process. Operations of the International Monetary Fund and the International Bank for Reconstruction and Development (q. v.) will also influence the stability of exchange rates and American investment abroad. Despite some agitation in that direction, however, return of the old free gold standard appears too much to expect, and variations of the gold

bullion standard may continue to be characteristic of the post-war monetary systems.

(See Gold Bullion Standard, Gold Exchange Standard, Gold Reserve Act of 1934, Gold Standard Act of 1900, Money, Standard Money, Standard of Value.)

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GOLD STANDARD ACT OF 1900

Although the single gold standard was established by statute in 1873, gold did not become the actual standard until the resumption of specie payments in 1879. The Act of March 14, 1900, in providing that the gold dollar of 25.8 grains of gold nine-tenths fine be the standard of value of the United States, merely reaffirmed the Act of 1873. This Act provided that all forms of money issued or coined by the United States should be maintained at par with gold, and that it should be the duty of the Secretary of the Treasury to maintain such parity. The Act, however, did not provide adequate machinery for the maintenance of this parity and placed a burden upon the Secretary of the Treasury which, if it came to actual test, would have been difficult to fulfill. Nevertheless it did correct the chief defect of the old system by providing a means of maintaining the parity of United States notes (or greenbacks). Other forms of paper money already were fully secured; National bank notes by Government bonds; gold certificates by gold; and silver certificates by silver

This Act provided for the redemption of United States notes in gold on demand and for this purpose a reserve of $150,000,000 to be kept in the Treasury, was provided. If this fund fell below $100,000,000, the Secretary of the Treasury was required to restore it to $150,000,000 by the sale of bonds. The gold in this reserve could not be used to meet a deficit in revenue and United States notes once redeemed could not be reissued, except in exchange for gold

The Federal Reserve Act (Sec. 26) specifically reaffirmed the parity provisions of the Act of 1900 and made due provision for enforcement by providing that the Secretary of the Treasury, in order to maintain such parity and to strengthen the gold reserve, could borrow by selling bonds authorized under the Act of 1900, or by selling one year gold notes, or to obtain gold by offering these bonds as security therefor. (See Gold Clause Cases, Gold Repeal Joint Resolution, Gold Reserve Act of 1934.)

GOLD STOCKS

See Gold Reserve.

GOLD SUPPLY

See Gold Production, Gold Reserve.

GOLD SUSPENSION

See sub-section entitled "Gold Suspensions, 1931-32," under Gold Standard.

GOOD DELIVERY

When securities are deposited with a bank or broker as collateral, or for purposes of sale, they must constitute good delivery. A good delivery of securities implies (1) that they are physically genuine; (2) that title is vested in the owner and properly conveyed by him; (3) that they are in negotiable form, so that if it becomes necessary to sell them, either through default or failure to respond to a margin call, the bank or broker possesses good title for purposes of sale.

A "good delivery" in the technical sense for securities is determined by the rules of the securities market through which sold as well as legal requirements. Rules of the New York Stock Exchange are based upon the usages and customs practiced over a number of years among brokers and banks, and accordingly are stringent. The following are some of the New York Stock Exchange rules to be observed in determining whether or not a security constitutes good delivery:

(1) Unless otherwise agreed, coupon bonds shall be delivered in denominations of $1,000 or $500 each, except that in the case of U. S. Government bonds, $5,000 or $10,000 pieces, when exchangeable for $500 or $1,000 pieces, shall be deliverable.

(2) Coupon bonds which have been registered as to principal shall be a delivery only if registered to bearer, or while the transfer books closed, only if accompanied by a proper assignment for each bond.

(3) Coupon bonds which have been registered for voting purposes only shall be a delivery only if such registration has been cancelled.

(4) A coupon bond bearing an indorsement of a definite name of a person, firm, corporation, association, etc. in conjunction with words of condition, qualification, direction or restriction not properly pertaining thereto as a security, shall not be a delivery unless sold specifically as an "endorsed bond". This rule also applies to bonds with coupons bearing such indorsements.

(5) A coupon bond which has become mutilated shall not be a delivery unless permitted by the Exchange.

(6) A bond bearing a coupon which has been mutilated as to the bond number or signature, or which has been cancelled in error, shall not be a delivery unless the proper indorsement is made on the back of the coupon and signed by an officer or representative of the obligor.

(7) A certificate of stock, a registered bond, or other registered security shall be accompanied by a proper assignment, executed either on the certificate itself or on a separate paper, in which latter case there shall be a separate assignment for each certificate or bond.

(8) A separate assignment shall contain provision for the irrevocable appointment of an attorney, with power of substitution, and a full description of the security, and shall be in the form approved by the Exchange. The number of shares of stock or the principal amount of a bond shall be expressed in both words and numerals. (See Assignment.)

(9) When the name of an individual or firm has been inserted in an assignment, as attorney, a power of substitution shall be executed in blank by such individual or firm.

(10) When the name of an individual or firm has been inserted in a power of substitution, as substitute attorney, a new power of substitution shall be executed in blank by such substitute attorney.

(11) Any alteration or correction in an assignment, power of execution or other instrument, shall be accompanied by an explanation on the original instrument signed by the person or firm executing the same

(12) The signature to an assignment or power of sub-

stitution shall be technically correct, i.e., it shall correspond with the name as written upon the certificate in every particular, without alteration or enlargement or any change whatsoever, except that "and" or "&", "Company" or "Co." may be written either way.

(13) A certificate in the name of a corporation or an institution or in a name with official designation shall be a delivery only if the statement "Proper papers for transfer filed by assignor" is placed on the assignment and signed by the transfer agent.

(14) A certificate shall not be a delivery with an assignment or power of execution signed by a (a) person since deceased; (b) trustee or trustees, except trustees acting in the capacity of a board of directors of a corporation or association; (c) guardian; (d) infant; (e) executor; (f) administrator; (g) receiver in bankruptcy; (h) agent, or (i) attorney, except as provided in (15) below.

(15) A member or member firm may authorize one or more employees to assign registered securities in the name of such member or member firm and to guarantee assignments, with the same effect as if the name of such member or member firm had been signed under like circumstances by such member or by one of the partners of the firm, by executing and filing with the Exchange in the form prescribed by it, a separate power of attorney for each employee so authorized.

(16) A certificate with an assignment or power of substitution executed by an insolvent shall be a delivery only during the closing of the transfer books, during which time such a certificate shall be a delivery only if held by others than the insolvent, and if it is accompanied by an affidavit that the same certificate was so held on a date prior to the insolvency, and the signature to the assignment or power of substitution is guaranteed

(17) A certificate with an assignment or power of substitution executed by a firm that has ceased to exist shall be a delivery only during the closing of the transfer books, provided the execution of the assignment or power of substitution is properly acknowledged and the signature thereto is guaranteed.

(18) A certificate with an assignment or a power of substitution executed by a firm that has since been dissolved and is succeeded by a firm or firms having as general partners one or more of the general partners of the dissolved firm shall be a delivery only if the new firm or if one of the new firms shall have signed the statement "Execution guaranteed" as of the date of or a date subsequent to the formation of the new firm so signing.

(19) A certificate with an assignment or power of substitution executed by a firm the name of which has since been changed shall be a delivery only if the firm shall have signed the statement "Execution guaranteed" as of the date of or a date subsequent to the change in name.

(20) A certificate with an inscription to indicate joint tenancy or with a qualification, restriction or special designation, shall not be a delivery.

(21) A certificate with an inscription to indicate tenancy in common shall be a delivery only if signed by all co-tenants.

(22) A certificate issued in the names of two or more individuals or firms shall be a delivery only if signed by all the registered owners.

(23) A certificate in the name of a married woman shall be a delivery only during the closing of the transfer books, during which time an assignment, executed jointly by the husband and wife and acknowledged before a notary public, or other qualified officer, shall be required.

(24) A certificate in the name of an unmarried woman, with the prefix "Miss", shall be a delivery without acknowledgment if signed "Miss".

(25) A certificate in the name of an unmarried woman without the prefix "Miss" shall be a delivery only if the assignment is properly acknowledged before a notary public or other qualified officer.

(26) A certificate in the name of a widow shall be a delivery only if the assignment is properly acknowledged before a notary public or other qualified officer.

(27) Except with respect to registered securities of the U. S. Government, the signature to an assignment of a certificate not in the name of a member or member firm shall be guaranteed by a member or member firm, or by a commercial bank or trust company organized under the laws of the United States or of the State of New York and having its principal office in the vicinity of the Exchange (that part of the Borough of Manhattan located south of Fulton Street). Each signature to a power of substitution executed by other than a member or member firm shall be guaranteed in like manner.

(See Delivery, Methods of Trading, Stock Transfers.)

GOOD TILL CANCELLED ORDERS

Buying or selling orders lodged with a broker which are valid until executed or cancelled or countermanded. They are also known as open orders, and are usually indicated by the abbreviation G. T. C. (See Orders.)

GOODWILL

One of the group of intangible assets set up on a balance sheet, e. g., patents, copyrights, trade-marks, secret processes, and goodwill, representing a non-physical value over and above the physical assets. It can never exist in a new company, except by transfer or purchase, but is established as a result of prestige gained over a period of years. It sometimes appears in the balance sheet of a new company as an euphemism for deficit or stock discount. Goodwill, like other intangible assets, is subject to the suspicion of being valued at arbitrary value, and as a general rule, should be amortized. Often, for display purposes, goodwill is left with a balance sheet value of $1. Goodwill, like other intangible assets, should be deducted from net worth in computing net tangible equity. It can exist only among competitive businesses and may be defined as the money value of the reputation of a business, or the premium set upon a going concern in excess of the tangible or perhaps book value of the assets.

Goodwill was first recognized by the English courts in 1743, and is accepted in England more than in the United States, as a growth through untiring efforts of a management. Following are other definitions: "Goodwill is nothing more than the probability that the old customers will resort to the old place" (Lord Eldon). "The value of business connections, the value of the probability that present customers will continue to buy in spite of the allurements of competing dealers" (Hatfield). "The element of an established business which makes the business, as a going concern worth more than its book value, that is, its net worth as shown by the books" (Walton). "It is the influence which the proprietor or his organization has upon the purchasing public through which he is enabled to attract and retain patronage" (Wildman). A more scientific definition is that goodwill is a capitalization of excess profits over and

above the normal rate of return on the physical investment, discounted at some rate in excess of the current rate of interest.

GOURDE

See Foreign Moneys—Haiti.

GOVERNING COMMITTEE

The governing body of the New York Stock Exchange, vested with both legislative and judicial powers over members of the Exchange, is the Board of Governors. Standing committees of the Board of Governors which formerly handled administrative functions such as public relations, stock list, member firms, etc., were discontinued in the last reorganization, and these functions are now handled by administrative departments.

(See New York Stock Exchange.)

GOVERNMENT ASSAY OFFICE

See Assay Office.

GOVERNMENT BONDS

See Foreign Government Bonds, State Bonds, United States Government Securities.

GOVERNMENT DEPOSITORY

A bank designated to receive deposits of Government funds. The Federal Reserve Banks under the original Federal Reserve Act were designated as depositories and fiscal agents of the United States. Under Act of May 29, 1920, which discontinued the Subtreasury System, the Federal Reserve Banks were also designated to perform any or all of the duties and functions of Assistant Treasurers and sub-treasuries as the Secretary of the Treasury should direct.

All member banks of the Federal Reserve System may also be designated as Government depositories and as financial agents of the Government, and be required to give satisfactory security by the deposit of U. S. bonds or otherwise. National banks are also authorized to accept State public funds as depositories and give required security for the safekeeping and prompt payment of the funds deposited. Proceeds of sales of Liberty bonds of the first, second and third issues were authorized to be deposited in non-member banks, with required security, and postal savings funds are also authorized to be deposited in non-member banks.

Government deposits under the Second Liberty Loan Act are called "war loan accounts", which have been utilized in recent years of heavy Government securities financing in subscriptions by banks to new Government issues by the "book credit" method. (See Depository.)

GOVERNMENT DEPOSITS

Funds of the United States Government and postal savings deposits deposited with legal depositories. Any Government Depository (q. v.) is required by the Secretary of the Treasury to qualify for receiving Government deposits, by pledging as collateral for such deposits, such securities as are from time to time published as eligible. The amount and rates are also indicated in the published list of eligible collateral, which consists broadly of obligations of the United States Government and its territorial and insular possessions, state bonds, municipal bonds, dollar bonds of foreign governments, and certain approved bonds listed on some recognized stock exchange among the railroad, public utility, and industrial groups. Under the Banking Act of 1935, reserves are required against U. S. Government deposits, although in April, 1943, "war loan" deposit accounts were exempted from reserve requirements until six months after cessation of World War II hostilities

GOVERNMENT ESTIMATES OF CROPS

See Crop Reports.

GRACE

See Days of Grace.

GRADES (GRADING)

Standardization of the differences in quality of staple commodities so that they can be readily recognized for the purpose of facilitating trade. Leading commodities are classified in many grades representative of certain recognized and accepted standards in the trade. The Federal Grain Standard Act passed in August, 1916, vested the Secretary of Agriculture with authority to prepare standards of various grades of grain that may be traded in. Each exchange also defines its grain standards, which are maintained by Federal and state inspectors, and those engaged by the grain exchange. The Commodity Exchange Act also requires that all contracts of sale of any commodity for future delivery on "contract markets" (futures markets) shall provide for the delivery thereunder of commodities conforming to United States standards, if such standards have been officially promulgated.

In the case of wheat, basic grades deliverable on 1947 contracts on the Chicago Board of Trade are:

No. 1 Northern Spring Wheat
No. 2 Hard Winter Wheat
No. 2 Red Winter Wheat
No. 2 Yellow Hard Winter Wheat

Other grades which may be delivered at specified differentials total eight.

On the Kansas City Board of Trade, basic grades are No. 2 Winter Wheat (Red, Hard, Dark Hard and Yellow Hard), with No. 1 grades deliverable at a premium of 1¢ over No. 2 grades, and No. 3 grades deliverable at a discount of 3¢ under No. 2 grades.

In the case of other grains, basic grades are:

Corn: On the Chicago Board of Trade, No. 1 or No. 2 mixed corn; on the Kansas City Board of Trade, No. 1 or No. 2 yellow, mixed or white corn

Oats: On the Chicago Board of Trade, No. 2 white or red oats; on the Minneapolis Grain Exchange, No. 2 white oats, bright No. 2 white oats.

Barley: On the Chicago Board of Trade, No. 1 or No. 2 barley of Class I; No. 1 or No. 2 malting barley.

In the case of cotton, the basic grade and staples is middling, 15/16 inch. White and extra white cotton between middling fair and low middling, and spotted cotton that is either good middling or strict middling, are deliverable, with staples of 29/32 inch and 7/8 inch deliverable at discounts, and those of 31/32 inch and 1 inch, at premiums. Cotton is classified for both grade and staple by an examiner of the U. S. Boards of Cotton Examiners. In the case of New York Cotton Exchange contracts, staples of 7/8 inch and 29/32 inch are deliverable at average discount on the bona fide spot markets designated by the Secretary of Agriculture. Staples of 31/32 inch and 1 inch are deliverable at 75% of the average premium prevailing on the spot markets. These bona fide spot markets have been designated as Houston, Galveston, New Orleans, Memphis and Dallas

for deliveries at Gulf ports; and Memphis, Montgomery, Augusta, Savannah and Charleston, for deliveries at Mobile, Savannah, Charleston, Norfolk and New York.
(See Basis Grade.)

GRADUATE SCHOOL OF BANKING

The senior educational institution of the American Bankers Association (q.v.). Advanced work in commercial banking, savings banking, investments, trusts, banking law, and economics is available to bank officers through The Graduate School of Banking. These courses are available at resident sessions held each year during the last two weeks in June at Rutgers University, New Brunswick, New Jersey. The courses run in a three-year cycle, 200 new students being admitted each year, making a total enrollment of 600.

GRADUATE SECURITIES

A name sometimes given to securities which are listed for the first time on the New York Stock Exchange. (See New York Curb Exchange).

GRAIN

Trading in "grain" futures is normally most active in wheat, with corn, oats, rye and barley following in that order. As defined in the Commodity Exchange Act (q.v.), "grain" includes wheat, corn, oats, barley, rye, flaxseed, grain sorghums and soybeans.

GRAIN BILLS

Bills of exchange drawn against shipments of grain. (See Bill of Exchange).

GRAIN EXCHANGES

Principal commodity exchanges where grain futures are traded are: Corn, Chicago Board of Trade, Kansas City Board of Trade; barley, Chicago Board of Trade; oats, Chicago Board of Trade, Minneapolis Grain Exchange; rye, Chicago Board of Trade and Minneapolis Grain Exchange; wheat, Chicago Board of Trade, Minneapolis Grain Exchange, and the Kansas City Board of Trade. (See Commodity Exchanges.)

GRAIN FUTURES

See Chicago Board of Trade, Commodity Exchanges, Futures, Hedging.

GRAIN FUTURES ACT

An Act, originally passed in 1921, which together with the Act of June 15, 1936, which amended it, constitutes the Commodity Exchange Act, the basic legislation for regulation and supervision of the commodity futures exchanges. (See Commodity Exchange Act.)

GRAIN PIT

The structure (called a "pit") built upon the trading floor of a grain exchange, one for each of the principal grains traded, where traders and brokers gather to trade in grain futures. (See Pit.)

GRAIN SPREADER

See Spreading.

GRANGERS

The term applied to the principal grain-carrying railroads, which include the Atchison, Topeka & Santa Fe; Chicago, Burlington & Quincy; Chicago, Milwaukee, St. Paul & Pacific; Chicago & Northwestern; Chicago, Rock Island & Pacific; Great Northern; Illinois Central; Northern Pacific; and Union Pacific (See Railroads.)

GRANTOR

A donor; one who bestows a benefit. Also, one who creates a trust; the seller of real property, i. e., the grantor in a deed who gives up title. (See Trusts.)

GRATUITOUS COINAGE

Coinage of the standard metal without charge by the mints; coinage without Brassage (q. v.) or Seigniorage (q. v.). Gratuitous coinage is to be distinguished from Free Coinage (q. v.). (See Coinage).

GRATUITY

A gift; donation; benefit. No member bank, or officer, director, or employee thereof, is permitted to make any gratuity to a bank examiner; nor is a bank examiner permitted to accept such a gratuity. To do so is a misdemeanor, and an offender is subject to fine or imprisonment.

GREENBACKS

Also known as "Legal Tenders," were inconvertible notes authorized by three acts of Congress, the first of which was that of February 25, 1862, to a maximum amount of $450,000,000. They represent the Civil War inflation episode, and were the result of war-time needs rather than excursion into inflation by virtue of popular demand. Greenbacks were legal tender for all debts, public and private, except duties on imports and interest on the public debt.

Specie payments had been suspended on December 30, 1861, about a year after the outbreak of hostilities. The premium on gold was only 4% by May, 1862, although it was sufficiently noticeable early in 1862 that brokers began to deal in gold coin. A gold exchange was organized in the autumn of 1862. With 100 expressing par for gold, the highest price quoted for gold during the war was 285, or 185% premium. This was in July, 1864 (battle of Gettysburg), when greenbacks were at the corresponding lowest discount; namely, worth 38-39 cents. When the war ended in May, 1865, gold dropped to a premium of 30%, at which rate greenbacks were worth 77 cents. Thus, public credit reached its lowest ebb in July, 1864, but improved at the conclusion of the war.

The greenback inflation of the Civil War was held in check by the fact that the issues were limited, and fluctuated according to the fortunes of the combatants. If the issue had been increased as might have been necessary if hostilities had been prolonged, the inflation would have been more serious. Issuance of greenbacks inevitably increased the cost of the war by raising the price of war materials. The cost of living also advanced. Prices rose from 100 in 1862 to 216 in January, 1865, and then dropped 58 points in five months when the war ended. Real wages fell fully 20%.

The Civil War greenback inflation, however, had an agreeable ending. The Specie Resumption Act, passed December 22, 1874, provided that the Secretary of the Treasury on and after January 1, 1879, should redeem in coin the United States legal tender notes outstanding on their presentation for redemption at the office of the Assistant Treasurer of the United States.

For further particulars on this subject, see under Inflation and United States Notes.

GRESHAM'S LAW

A monetary principle named after Sir Thomas Gresham, Master of the English Mint under Queen Elizabeth, who while not the first to recognize it, was the first to clearly enunciate it and give it official standing. This principle is that an over-valued money of equal legal tender power tends to displace an under-valued money; that bad money (mutilated or debased money) drives good money out of circulation; or that cheaper money supplants dearer money

It has long been recognized that two kinds of money of equal legal tender power and nominally of equal value, but in reality of unequal value, cannot be kept in concurrent circulation. The cheaper money becomes a standard of value because people will pay their debts in the cheaper money and hoard, melt, or export the dearer money, or the dearer money commands a premium over the cheaper money. It is the operation of Gresham's Law that makes it desirable for a Government to provide for redemption of its over-valued metallic coins and paper money in standard money.

GROAT

An old English silver coin equal to four pence. (See English Money Table.)

GROSS DEBT

Total debt, without making adjustments for deductions. Deductions usually include sinking funds and reacquired debt not yet retired.

In municipal bond analysis, deductions from gross debt are sinking funds as well as that portion of the debt which is revenue producing, such as that incurred to finance city operated facilities (water supply, rapid transit, etc.). The net debt figure resulting is the base for calculating debt per capita and net debt percentage of assessed value of taxable property. (See Municipal Bonds.)

GROSS DEPOSITS

Aggregate deposits, without making any exclusions or deductions. Included in gross deposits are all types of demand and time deposits, including due to banks, and U. S. Government deposits.

Gross demand deposits, less interbank and U. S. Government deposits, and less cash items in process of collection (so-called "float") appear as "demand deposits adjusted" in memorandum form to the member bank call report. This is a statistical measure designed by the Board of Governors of the Federal Reserve System to indicate aggregate net balances in checking accounts of individuals, partnerships, corporations, States and local government bodies, after allowing for checks outstanding against these accounts.

Both gross deposits and demand deposits adjusted are to be distinguished from net demand deposits, or deposits subject to reserve requirements according to the definition of "net demand deposits" by the Board of Governors of the Federal Reserve System in accordance with banking law. In accordance with the Banking Act of 1935, net demand deposits are the excess of all demand deposits, including deposits due to other banks and the United States Government, over demand balances due from other domestic banks (except Federal Reserve Banks, foreign banks or branches thereof, foreign branches of domestic banks, and private banks), and cash items in process of collection. (See Net Deposits)

GROSS EARNINGS

Total receipts of income; Gross Revenues (q. v.).

In trading or manufacturing concerns, gross receipts are usually sales of merchandise or products, shown net after returns and allowances. Any sources of gross receipts other than sales should be shown separately; for example, rental income where products such as machines are leased rather than sold.

GROSS PROFITS

Profits on goods sold without deducting selling and general administrative expenses. Gross profits are determined by subtracting the cost of goods sold from the amount received from their sale. It is termed gross profits because selling and administrative expenses must be deducted in order to determine Net Profits (q. v.).

GROSS REVENUES

In railroad and public utility accounting, the total receipts from operations or operating revenues, corresponding to sales in an industrial or mercantile business

Railway operating revenues of railroads are classified in accordance with the Uniform System of Accounts for Steam Railway Corporations, in annual reports to the Interstate Commerce Commission, and include railline transportation revenue, water-line transportation revenue, incidental operating revenues, and joint facility operating revenue, so distributed as to group those assignable to freight or to passenger and allied services or those common to both services. Summary reports of operating revenues usually subdivide into freight, passenger, mail, express and other.

Public utility companies using a uniform system of accounts or a form for annual report prescribed by Federal or State authorities follow the segregation of revenues prescribed, generally calling for electric, gas, water, traction or other subdivisions applicable.

GROUND FLOOR

An expression used in finance to designate the specially reduced price at which the promotors, founders, or underwriting syndicate, sell the stock of a new corporation to selected persons before it is offered to the general public at a later date. The term refers especially to securities which rise rapidly in value after they have been offered to the public, but which have been offered to a favored few below the public offering price.

GROUP BANKING

The term given to a form of banking organization, which although similar to branch and chain banking, enables a holding corporation to control a group of banks within a State, without more than one unit in a given city or town. The holding corporation's function is to supervise and corrdinate the banks in the group, but each bank has its own officers and board of directors on whom the responsibility for the affairs of their bank rests.

According to the Board of Governors of the Federal Reserve System, the term "group banking" indicates the type of multiple office banking structure in which three or more independently incorporated banks are controlled directly or indirectly by a corporation, business trust, association, or similar organization. The

term "holding company" is often applied to the controlling organization.

One of the leading examples of group banking is the Marine Midland Corporation, which owns substantially all of the capital stock of 19 banks located in the New York Federal Reserve District, and was formed in 1929. These 19 banks serve 47 communities through 98 banking offices, all in New York State. Aggregate deposits of the group as of December 31, 1947 were $1,090 million, and aggregate capital funds totaled $76,541,000. The Board of Directors of the corporation has agreed with the Board of Governors of the Federal Reserve System that dividends will be paid by the corporation only from earnings accumulated subsequent to December 31, 1941, and that in computing such net earnings there will be included only such dividends as are paid by affiliated banks out of net earnings accumulated since December 31, 1934. Under this agreement, dividends received from constituent banks are available to Marine Midland Corporation for distribution to stockholders.

The Transamerica Corporation is another bank holding company, owning a majority interest in 40 domestic banks operating 117 banking offices in California, Oregon, Nevada, Washington and Arizona.

Holding company affiliates of State member banks are subject to the same conditions and limitations imposed by Sec. 5144 of the Revised Statutes for National banks, which include provision for application for holding company voting permits; examination of holding company affiliates necessary to disclose fully relations between the banks and the holding company affiliates; requirements of minimum of 12% of aggregate par value of bank stocks held by holding company to be maintained by the holding company in readily marketable assets, to be built up 2% per year until aggregate of 25% in readily marketable assets is reached; imposition of penalties for false entries by holding company officers, directors, agents or employees; requirement of no affiliation with securities underwriting firms by the bank holding company; and requirement that dividends be declared only out of actual net earnings. (See Federal Reserve Board Regulation "P".)

GUARANTEE

See Guaranty.

GUARANTEED BANK DEPOSITS

See Guaranty of Bank Deposits.

GUARANTEED BONDS

Bonds the payment of the principal or interest, or both of which, has been guaranteed by a party other than the original debtor. Railroad and industrial corporations sometimes guarantee the bonds and notes of leased or controlled companies, or subsidiaries, or companies in which they are financially interested in order to strengthen their credit, or to elevate their investment position.

While the market value of bonds guaranteed by another party is undoubtedly enhanced by such guaranty, investors should not purchase this class of bonds because of the guaranty alone. Such bonds should be intrinsically sound in themselves without the guaranty, since it may be difficult to enforce the guaranty against the guarantors in case of default of the principal debtors in an action at law. Guaranteed bonds should be supported by sufficient security to meet the principal and interest, and the guaranty should be in such form as to compel the guarantor to meet any deficiency on the part of the principal debtor.

When bonds are guaranteed after their issue, the guaranty appears in a separate instrument, and the fact of guaranty is not recited on the face of the bond at all. When bonds are guaranteed by indorsement, the fact of guaranty is stated on the face of each bond, which contains the signature of the guarantor company.

Guaranteed bonds are similar to Assumed Bonds (q. v.), and Indorsed Bonds (q. v.).

GUARANTEED LETTER OF CREDIT

See Letters of Credit.

GUARANTEED MORTGAGE CERTIFICATES

Certificates which represent a partial interest in a bond and mortgage, or which are secured by a deposit with a trustee of a bond and mortgage equal to the face value of the certificates outstanding, in addition to which the company making the mortgage loan engages to pay the certificate at maturity and all interest instalments in default of payment by the mortgagor. The guarantor company is usually a mortgage loan company, and the guaranty is valuable to the extent that the issuing company has assets with which to support the guaranty.

Guaranteed mortgage certificates normally carried an interest rate one-half of one per cent. less than bonds and mortgages not guaranteed. In the collapse of real estate values in New York in the 1929-1932 depression, mortgage companies retailing guaranteed mortgage certificates experienced a wave of defaults on obligations, and despite invoking of the 18 months grace period in guarantee provisions, the guarantee proved to be no protection because of the practice of the issuing companies in issuing guaranteed mortgages and mortgage certificates up to 20 times capital funds. (See Mortgage Certificates.)

GUARANTEED RAILROAD STOCKS

See Guaranteed Stocks.

GUARANTEED STOCKS

Shares of stock, preferred or common, the payment of dividends of which have been guaranteed by a corporation other than the issuer. Guaranteed stocks arise under much the same circumstances as Guaranteed Bonds (q. v.), but they are particularly creatures of railroad finance, although occasionally occurring in telegraph companies and other utilities. Guaranteed railroad stocks arose by reason of one railroad company leasing its property to another, in return for which the lessee railroad guarantees the payment of dividends at a stipulated rate on the stock of the lessor corporation. In default of payment of dividends, or disaffirmance of the lease, the lessor may take back its property.

Dividends on guaranteed stocks are part of fixed charges of the lessee company operating the property, and such dividends are a charge on the gross income of the operating or lessee company ranking with the interest on the operating company's own bonds. Thus, they are a charge ranking prior to the operating company's own dividends. Failure to pay the guaranteed rate abrogates the lease. In the final analysis, the importance and essentiality of the leased line to the lessee are determining factors in disaffirmance of leases.

The seasoned and better quality guaranteed railroad stocks sell on a yield basis comparable with the higher grade railroad bonds of the lessee systems, with which

they are comparable because of the fixed nature of guaranteed dividends.

Preferred stocks having no connection with guaranteed dividends are sometimes erroneously called "guaranteed" stocks, although preferred dividends even if cumulative are in no sense guaranteed to the holder.

Table on pages 282 and 283 lists some of the active Guaranteed and Leased Line railroad stocks, showing current dividend rates, term of lease, and name of lessee system.

GUARANTOR

A surety; one who guarantees payment. A person, firm, or corporation may agree to guarantee a note for another party and become liable by indorsement to pay the obligations of another in case of failure or default by the original maker (principal debtor). Thus either or both the principal and interest on bonds, and dividends on stocks, are sometimes guaranteed. (See Guaranty, Guaranteed Bonds, Guaranteed Stocks.)

GUARANTY

A contract or undertaking in which the signor, i. e., guarantor, engages that the promise of another shall be performed, usually the payment of a debt or the performance of a contract. A guaranty is a contract in which a third party, the guarantor, intervenes in an agreement between two persons by becoming responsible to one for the default of the other, the person for whom the guaranty is made being known as the guarantee. For example, if Railroad No. 1 guarantees the bonds of Railroad No. 2 the former is a guarantor, and promises their payment in case the latter, the guarantee, fails to fulfill its obligations. (See Guaranteed Bonds.)

There are two kinds of guaranties of debt, guaranty of payment, and guaranty of collection. In the first case the guarantor is in default the moment the debt is due and unpaid, while in the second the guarantor is in default only after the principal debtor has been sued, and the creditor (guarantee) has employed every expedient to enforce payment.

When a bank issues a commercial letter of credit it requires the person for whom it is issued to sign a guaranty to pay all drafts issued thereunder, and to be responsible for the validity, correctness, and genuineness of the supporting document. A typical form of Letter of Credit Guaranty is the following:

Gentlemen:

In consideration of the issuing by the Blank Bank of New York of their commercial letter of credit,

No. . . . . .
for account of . . . . . .
in favor of . . . . . .
amounting to . . . . . .
Available by . . . . . sight drafts, we hereby guarantee unconditionally the payment of all drafts issued under and in compliance with the terms of said commercial credit, at their maturity.

It is understood that neither you, nor your agents here or abroad, will be responsible for the validity, correctness and/or genuineness of the documents purporting to relate to aforesaid credit, nor for the quality, quantity, and/or arrival of the merchandise described in such documents.

You are to receive a commission of . . . . . per cent. together with all expenses incurred by you in connection with arranging the credit and the execution thereof. At least . . . . . day(s) prior to the maturity of any draft or drafts, the undersigned is to place you in New York funds sufficient to pay each acceptance with interest, if any, and all other charges relating thereto.

Two forms of guaranty agreements are used in connection with bank loans, a continuing guaranty and specific guaranty. In the former the guarantor is responsible for the default of the debtor for whom the guaranty is made up to a certain limit so long as the agreement is in force, and may therefore cover all the loans of the debtor. In the latter the guarantor holds himself responsible only for a particular described loan.

The following are typical forms of guaranty agreements:

Continuing Guaranty

. . . . . .

the undersigned, in consideration of One Dollar, receipt whereof is hereby acknowledged, and the credits, discounts, purchases or loans given or made as hereinafter mentioned, do hereby unconditionally guarantee to the Blank Bank of New York City (hereinafter called the Bank), its successors and assigns, that if before written notice from the undersigned, or any of them, not to give further accommodation hereunder, the Bank shall give any credit to . . . . . (hereinafter called the Debtor) or discount, or purchase, or make any loan on, any commercial paper made or indorsed by the Debtor, all sums payable upon all such credits, loans, discounts and commercial paper shall be paid in full when respectively due, and, in case of extension of payment of any thereof, in whole or in part, all sums payable thereon shall be paid when due according to such extension; and also so agree to indemnify and save harmless the Bank, its successors and assigns, for all costs and expenses, including counsel and attorneys' fees of enforcing the obligation of the undersigned hereunder, and/or collecting any item whose payment is hereby guaranteed.

This shall be a continuing guaranty, but the liability of the undersigned hereunder shall not exceed . . . . . Dollars ($. . . . .), exclusive of any liability on account of said costs and expenses.

Presentment or demand of payment from maker, and notice of receipt or acceptance hereof, or of intention to act, or of acting hereupon, or of non-payment, or of protest, or of sale of securities, are hereby waived by the undersigned.

Consent is hereby given by the undersigned that, from time to time, without notice to the undersigned, payment of any sum or sums payable upon any items whose payment is guaranteed hereunder, or any security for the payment thereof, may be extended in whole or in part, and any such security may be exchanged or surrendered.

Specific Guaranty

In consideration of One Dollar, receipt whereof is hereby acknowledged, and of the discount or purchase of or credit, loan or extension of time given or made on, the following described instruments:

. . . . . .
. . . . . .

By the Blank Bank of New York City (hereinafter called the Bank) . . . . . hereby unconditionally guarantee to the Bank, its successors and assigns, the genuineness of said instruments, including indorsements thereon, and payment thereof when respectively due, and, in case of extension of payment of any thereof, in whole or in part, payment

GUARANTEED AND LEASED LINE STOCKS

Guaranteed or Leased Line Stock and (Par Value)	Dividend Rate (%)	Term of Lease	Guarantor or Lessee System
Alabama & Vicksburg (100)	6.00	2283	Illinois Central
Albany & Susquehanna (100)	*7.55	Perpetual	Delaware & Hudson
Allegheny & Western (100)	6.00	Perpetual	Buff., Roch. & Pitts.
Atl. & Charlotte Air Line (100)	9.00	Perpetual	Southern
Beech Creek (50)	4.00	2889	N. Y. Central
Boston & Albany (100)	8.75	1999	N. Y. Central
Canada Southern (100)	3.00	2903	N. Y. Central
Carolina, Clinchfield & Ohio (100)	5.00	2922	Atlantic Coast Line and Louisville & Nashville
Catawissa R. R. 1st and 2nd Preferred (50)	*3.10	2895	Reading
Cayuga & Susquehanna (30)	*5.00	Perpetual	Del., Lackawanna & Western
Clearfield & Mahoning (50)	6.00	Perpetual	Buff., Roch. & Pitts.
Cleveland & Pitts. Capital Stock (50)	7.00	2870	Pennsylvania
Cleveland & Pitts. Betterment (50)	4.00	2870	Pennsylvania
Cleve.Cinc.Chic. & St. L. Preferred (100)	5.00	2029	N. Y. Central
Cleve.Cinc.Chic. & St. L. Common (100)	10.00	2029	N. Y. Central
Dayton & Michigan Preferred(50)	8.00	Perpetual	Baltimore & Ohio
Dayton & Michigan Common (50)	3.50	Perpetual	Baltimore & Ohio
Delaware (25)	8.00	2009	Pennsylvania
Delaware & Bound Brook (25)	8.00	2869	Reading
Detroit, Hillsdale & Southwest (100)	4.00	Perpetual	N. Y. Central
Erie & Kalamazoo (50)	*6.00	Perpetual	N. Y. Central
Erie & Pittsburgh Capital Stock(50)	*6.40	2869	Pennsylvania
Erie & Pittsburgh Betterment (50)	7.00	2869	Pennsylvania
Fort Wayne & Jackson Preferred Stock (100)	5.50	Perpetual	N. Y. Central
Georgia R.R. & Banking (100)	*7.00	1980	Atlantic Coast Line and Louisville & Nashville
Illinois Central Leased Line (100)	4.00	2282	Illinois Central
Joliet & Chicago (100)	7.00	Perpetual	Gulf, Mobile & Ohio
Kalamazoo, Allegan & Grand Rapids (100)	5.90	2868	N. Y. Central
Kansas City, St. Louis & Chicago Preferred (100)	--	Perpetual	Alton
Little Miami R.R. Original (50)	8.60	1968	Pennsylvania
Little Miami R.R. Special (50)	4.00	1968	Pennsylvania
Little Schuyl. Navig. R. R. & Coal (50)	*3.00	2895	Reading
Mill Creek & Mine Hill Nav. & R. R. (25)	10.00	2860	Reading
Mine Hill & Schuyl. Haven (50)	*4.00	2863	Reading
Mobile & Birmingham Preferred (100)	4.00	1998	Southern
Morris & Essex (50)	7.75	Perpetual	Del. Lackawanna & Western
New London Northern (100)	7.25	1990	Central Vermont
N. Y. & Harlem Common (50)	10.00	2274	N. Y. Central
North Carolina R.R. (100)	7.00	1995	Southern
Northern Central (50)	8.00	2910	Pennsylvania
Northern R.R. of N.H. (100)	6.00	1989	Boston & Maine
North Pennsylvania R.R. (50)	8.00	2869	Reading
Norwich & Worcester Preferred (100)	8.00	1969	N.Y.New Haven & Hartford
Oswego & Syracuse (50)	9.00	Perpetual	Del.Lackawanna & Western
Paterson & Hudson River (50)	7.00	Perpetual	Erie
Peoria & Bureau Vy. (100)	*4.75	Perpetual	Chic.Rock Island & Pacific
Pitts.Bessemer & Lake Erie Preferred (50)	6.00	2900	Bessemer & Lake Erie and U. S. Steel

Guaranteed or Leased Line Stock and (Par Value)	Dividend Rate (%)	Term of Lease	Guarantor or Lessee System
Pitts.Bessemer & Lake Erie Common (50)	3.00	2900	Bessemer & Lake Erie and U. S. Steel
Pitts.Fort Wayne & Chic. Preferred (100)	7.00	2868	Pennsylvania
Pitts.Fort Wayne & Chic. Common (100)	7.00	2868	Pennsylvania
Pitts.Youngstown & Ashtabula Preferred (100)	7.00	2909	Pennsylvania
Pittsfield & North Adams (100)	5.00	1975	N. Y. Central
Providence & Worcester (100)	10.00	1991	N.Y.New Haven & Hartford
Rochester & Genesee Vy. (100)	4.00	1970	Erie
Rome & Clinton (100)	*4.00	Perpetual	Delaware & Hudson
Rutland & Whitehall (100)	*4.20	Perpetual	Delaware & Hudson
Saratoga & Schenectady (100)	*4.00	Perpetual	Delaware & Hudson
Schuylkill Vy. Navig. & R.R.(50)	5.00	2860	Reading
South-Western R.R. (100)	5.00	1990	Central of Georgia
United N.J. R.R. & Canal (100)	10.00	2870	Pennsylvania
Vermont & Mass. (100)	6.00	2873	Boston & Maine
Vicksburg, Shreve. & Pacific Ry. Preferred (100)	5.00	2282	Illinois Central
Vicksburg, Shreve. & Pacific Ry. Common (100)	5.00	2282	Illinois Central
Ware River (100)	7.00	2873	N. Y. Central
Warren (50)	*7.00	Perpetual	Del.Lackawanna & Western
West Jersey & Seashore Common (50)	6.00	2929	Penn. R.R.-Reading Seashore Lines

*Dividends currently paid at rate shown (varying according to income or other taxes paid by the corporation).

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of all sums due thereunder when due according to such extension or extensions; and hereby consent that, from time to time, without notice to the undersigned, payment of any of said instruments or of any securities therefor may be extended in whole or in part, or any of the securities may be exchanged or surrendered; and hereby waive presentment, demand of payment from the maker, protest and notice of non-payment or protest, or of sale of securities, or of acceptance hereof or of intention to act or of acting hereupon; and agree to indemnify and save harmless the Bank, its successors and assigns, from all costs and expenses, including counsel and attorneys' fees, of enforcing the obligation of the undersigned hereunder and/or collecting any of said instruments.

If the undersigned be more than one person, whether individual or corporate, their obligations hereunder shall be joint and several.

GUARANTY FUND

By amendment to the New York State Banking Law in 1938, the aggregate of the guaranty fund and expense fund of a savings bank in New York State shall constitute the Surplus Fund. Such fund may be created or increased by contributions made by the incorporators or by transfers from undivided profits or by transfers from earnings. The Surplus Fund up to 10% of the amount due depositors shall not be available for the payment of dividends or to pay expenses, except that the part of the fund in excess of 5% of the amount due depositors shall be available without approval of the Superintendent of Banks for the purpose of absorbing losses.

The incorporators of a savings bank in New York shall not transact business until they shall have deposited to the credit of the savings bank in cash as an initial surplus fund at least $10,000, and if the Superintendent of Banks shall so require, shall have entered into an agreement or undertaking with the Superintendent to make such further contributions in cash to the surplus fund as in the opinion of the Superintendent may be necessary to maintain the savings bank in safe condition, and shall have filed with the Superintendent a surety bond securing such agreement or undertaking.

The surplus fund up to 10% of the amount due depositors shall be built up periodically from current earnings. If at the close of any accounting period, the surplus fund of any savings bank in New York State is less than 10% of the amount due depositors, 1/10th of the net earnings for such period shall be credited to the surplus fund, or so much less than 1/10th as will make the surplus fund equal to 10% of the amount due to depositors.

(See Savings Banks.)

GUARANTY OF BANK DEPOSITS

State guaranty of the payment of deposits to depositors in banks which became insolvent by bad management, embezzlement, or otherwise. These state guaranty systems were the predecessors of the present nationwide system of deposit insurance in the United States. While banks of issue in Europe and the United States for many years guarded their note issues so strictly as to practically preclude the possibility of loss, the policy of protecting deposits was a new departure in American banking, deriving its original impetus from the panic of 1907.

Oklahoma passed the first deposit-guaranty law in 1908, and its example subsequently was followed by Kansas in 1909, Texas in 1910, Nebraska in 1911, Mississippi in 1914, South Dakota in 1915, and North Dakota and Washington in 1917.

The Kansas law, passed in 1909, may be taken as embodying typical features of each. This law provided for an annual assessment of one twentieth of one per cent. of average deposits upon each bank voluntarily entering the system, but in computing the amount of deposits, the bank was allowed to deduct the amount of its combined capital and surplus. This last provision was held out as an inducement to accumulating a large capital and surplus. These annual assessments continued until the fund reached $500,000, after which it was discontinued until the fund fell below that amount. Should the fund become depleted the banking commissioner could levy such additional assessments as were necessary, but not to exceed five assessments of one-twentieth of one per cent. of deposits in any one year. The fund was held in the custody of the State Treasurer subject to the order of the banking commissioner. In case a bank became insolvent, the commissioner took charge of its affairs, issued to each depository an interest-bearing certificate, and then paid these off as soon as the assets of the failed bank were liquidated. If these assets should prove insufficient to cancel the certificates, the banking commissioner then certified to the State Treasurer the balance yet due, and the latter paid such balance from the guaranty fund.

The Oklahoma law (the first passed) permitted National banks to join the system if they chose to do so. The Attorney-General of the United States decided that such participation would be an exercise of powers not contemplated by any act of Congress, and, therefore, unlawful.

The history of state-guaranty or insurance of bank deposits was not satisfactory. The plans prospered in good times, but failed with unpaid deficits in bad times. In the eight states in which guaranty laws were enacted since 1908, all were discontinued by repeal or otherwise by 1931.

The accompanying table presents the salient facts on the experience of the various State deposit guaranty systems, as compiled by the Economic Policy Commission of the American Bankers Association.

With the passage of the Banking Act of 1935, providing for nation-wide system of permanent deposit insurance, a new chapter has been written on this controversial subject. (See Federal Deposit Insurance Corporation.)

Bibliography

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GUARDIAN

A person who has the legal power to control the person and/or estate of a minor. The Board of Governors of the Federal Reserve System has the power to grant by special permit to national banks applying therefor, when not in contravention of State or local law, the right to act as guardian of estates, or in any other fiduciary capacity in which State banks, trust companies or other corporations which come into competition with national banks are permitted to act under the laws of the State in which the national bank is located.

Guardianships are governed by statute in detail, and are of various types, as follows: (1) guardianship by nature or by birth. The natural parents as soon as the child is born are natural guardians of the person of the child. In New York, the father and mother are joint guardians of the person only of the child. (2) guardianship by socage, arising where a minor child acquires real property during minority and no general guardian has been appointed. This guardianship extends only to real property and such personal property as is incidental to real property. The natural parents are joint guardians in socage for the minor in New York, unless they are separated or divorced. (3) testamentary guardianship, arising where a deceased spouse by will appoints a guardian for the minor child. In New York, a testamentary guardian prevails over the surviving spouse if in the best interests of the child, although a child over 14 years of age may generally have the right to decide whether to stay with the natural surviving parent or the testamentary guardian. The testamentary guardian has custody over the person as well as both real and personal property of the ward, and thus is required to post bond, file annual accounts and inventory, and be removed for any misconduct in office. (4) guardianship by deed, a written instrument executed in the lifetime of the grantor, to take effect on his death, and thus of the same effect as the testamentary guardianship; (5) the general guardianship, which in New York is one created by order of the Supreme Court or Surrogate's Court after filing of petition therefor, filing of consents, and holding of hearings. The general guard-

Results of State Guaranty Plans

State	Duration	Type	Total Assessments	Final Deficit
Kansas	1909-1929	Voluntary	$2,685,000	$7,175,000
Mississippi	1915-1930	Compulsory	1.2% of capital	5,000,000
Nebraska	1911-1930	Compulsory	$17,700,000	22,000,000
North Dakota	1917-1929	Compulsory	2,000,000	14,000,000
Oklahoma	1908-1923	Compulsory	3,700,000	7,500,000
South Dakota	1916-1931	Compulsory	.....	36,769,000[3]
Texas	1910-1927	Choice ([1])	15,000,000[2]	.....
Washington	1917-1921	Optional	([4])	.....

([1]) Choice between joining fund or posting bond equal to capital.
([2]) For period 1920-1925.
([3]) As of June 30, 1930.
([4]) Because of the failure of one large bank in 1921 the plan broke down and the banks withdrew, but the law was not repealed until 1929.

ian may have custody over the person, or the property, or both of the minor, and must be a person having no adverse interest to the minor. The general guardian is held to the highest degree of fiduciary obligation, being required to invest only in legal investments, to file annual inventory and accountings, to post bond if the property is over $10,000, to obtain court orders for the payment of money, to take an oath of office, to be removed for failure to file full and satisfactory accounts or if guilty of incompetence or misconduct, etc.

Guardianships terminate when the ward becomes of age or dies, or if the guardian's authority has terminated. Guardianship over the person of a female ward terminates upon her marriage. When the ward reaches majority (21 years of age), a general accounting is required to discharge the guardian and the estate is delivered to the ward under order of the court.

Other types of guardianships are the guardian ad litem (q.v.), for actions in law, and the special guardian, for actions in equity.

GUARDIAN AD LITEM

A person appointed by a court to represent the interests of a minor in a lawsuit.

GUILD

An association of artisans, craftsmen or workers. The term was used in Europe during the Renaissance, and sometimes regarded as the forerunner of the modern trade union. The term was revived is Fascist Italy. (See Fascism.)

GUILDER

The principal currency unit of the Netherlands, also known as the gulden. (See Foreign Moneys—Netherlands.)

GUINEA

A former English coin of the value of 21 shillings, not coined since 1813. It was so called because made from gold brought from Guinea. The term is now used to denote the sum of 21 shillings. (See English Money Table.)

GULDEN

Another name for the guilder. (See Foreign Moneys—Netherlands.)

GUSHER

An oil well which produces large quantities, especially one that flows without having to be pumped.

HALF CROWN

An English silver coin of the value of 2 1/2 shillings, and hence also known as a "two and six". It was first coined in 1551. (See English Money Table.)

HALF DIME

A former United States silver coin not coined since 1873. They were the first coins minted by the United States Mint and were legal tender in amounts up to $10

HALF DOLLAR

A United States silver coin containing 173.61 grains of fine silver and 19.29 grains of copper alloy, and is 0.900 fine. Under the Joint Resolution of June 5, 1933, all coins and currencies of the United States shall be legal tender for all debts, public and private, public charges, taxes, duties and dues.

HALF EAGLE

A United States gold coin of the value of $5.00. Its composition was the same as, and its weight one-half that of, the Eagle (q. v.). No longer in circulation, in accordance with the Gold Reserve Act of 1934, which declared the coinage of gold at an end. (See Gold Coins.)

HALF PENNY

An English copper coin equal to one-half the value of the penny, and approximately equal in value to the United States one-cent piece. (See English Money Table.)

HALF SOVEREIGN

An English gold coin being half the value of a sovereign (pound sterling), and therefore equivalent to 10 shillings. It is eleven-twelfths fine and at present is equivalent to about $2 in United States money. Comparatively rare in public circulation. (See English Money Table.)

HALF STOCK

An obsolete Stock Exchange term to denote shares of stock of $50 par value, so-called because most shares were of $100 par value. Quotations for half stocks on the New York Stock Exchange were formerly on the basis of two shares. Thus the shares of the Pennsylvania and Lehigh Valley Railroad companies each having $50 par value, were quoted at a price for two shares representing $100 par value.

HAMMER THE MARKET

An expression to denote the heavy and persistent selling of stocks by professional speculators operating on the "short" side actuated by the belief that prices are inflated and that a period of liquidation is imminent. When the "bears" make a raid upon the stock market they are said to "hammer the market."

HAMMOND'S TIME

An old term used to designate the official time of the New York Stock Exchange by which its opening and closing, and close of the recognized settlement period, were regulated.

The Exchange is open for the transaction of business on every business day at 10:00 a.m., when it shall be officially announced to be open, and remains open until 3:00 p.m., when it shall be officially announced to be closed, except that on Saturdays the closing shall be at 12:00 noon, and except that the Board of Governors may change the hours of trading on any day. Dealings upon the Exchange shall be limited to the hours during which the Exchange is open for transaction of business, and no member shall make any bid, offer or transaction upon the floor before or after these hours, except that loans of money or securities may be made after the official closing of the Exchange. (See New York Stock Exchange.)

HARD CASH (MONEY)

A term to denote metallic money as distinguished from paper money. It is also more loosely used to denote cash assets (whether actual currency or bank balances), as distinguished from other quick assets, e. g., notes and accounts receivable, inventories, and readily marketable securities.

HARD COALERS

See Anthracite Roads.

HARD SPOT

A stock exchange expression to denote any single stock which stands out prominently in the day's quotations because of its firmness or strength when the rest of the list is soft, i. e., tends to decline.

HARDEN

A stock exchange expression to indicate a stiffening or strengthening of prices throughout the list due to increased buying, especially following an interval of price declines.

HARTER ACT

An Act approved by Congress February 13, 1893, which sets forth the liabilities of shipowners in the carriage of goods at sea, and indicates the contents of the limiting clauses which an ocean carrier may place in its bills of lading.

HEAVY

A stock or commodity exchange expression used to denote a drop in prices due especially to selling of long stock (or commodity contracts) by holders who are taking profits. It is a condition which exists in a market when supporting bids are not in sufficient volume and high enough to absorb offerings withour price concessions, so that the prevailing price level declines. A heavy market is to be distinguished from a weak market, which is a liquidating market, and also from a sagging market in which price declines on the average are merely fractional.

HECTARE

See Metric System.

HEDGE (HEDGING)

Reduced to its lowest terms, a form of insurance used among dealers in grain, cotton, foreign exchange, or securities, to prevent loss through price fluctuations. It is not speculation, but the avoidance of speculation. Hedging is the process of protecting one transaction by

means of another, and in the commodity markets takes the form of selling a futures contract in an amount equivalent to necessary cash purchases. The process of hedging is based on the theory that the spread between a cash commodity and its futures is constantly uniform. That is, future prices should be higher than cash prices by an amount representing the cost of storage, insurance, etc., from the time of the transaction until the arrival of the future month. Hedging in grain is commonly practiced by elevator companies, millers and exporters. Foreign exchange bankers, brokers, and dealers also practice hedging, which consists of selling by one who is "long" and buying by one who is "short," of an equal amount of the commodity dealt in. Thus a person who hedges is in a neutral position,—he is committed to both "long" and "short" contracts for an equal amount.

A typical illustration of hedging is that practiced by a flour mill, although the same principle is involved in the case of a textile mill. Suppose a miller has contracts to deliver to customers 4,000 barrels of flour a week for the next six months at a stipulated price. This output will require approximately 470,000 bushels of wheat, more than even the largest miller can carry in stock. It represents a value, moreover, which if purchased at $2.00 a bushel, means an investment of $940,000. Should the wheat decline only 1¢ a bushel, a loss of $4,700 is involved. This risk is so great that millers as a class cannot afford to take it. Millers are not speculators, but are in the business of milling, and derive their profits from milling operations; not through price fluctuations. To avoid assuming this risk, therefore, the miller sells in the future markets an equal amount of wheat, distributing his future sales contracts to mature at times he needs to buy cash wheat for filling his flour contracts. In other words, as fast as he buys cash wheat from samples that meet his milling demands, he sells an equal amount of future contracts at a stipulated price. Instead of actually making delivery, however, millers usually sell their contracts to professional speculators, or others who may want wheat at the delivery time. In case the price of wheat goes up, the miller, of course, has made a profit on his holdings of cash wheat. This profit, however, is offset by the necessity of having to pay a higher price when he covers his contract on delivery date. What he gains in the cash transaction is lost in the future transaction. On the other hand, if the price declines, the loss of his holdings of cash wheat is offset by having to pay a lesser price when he covers his contract on the delivery date. Thus, whether the price rises or falls, the hedger gains (or loses) as much on his cash contracts as he loses (or gains) on his future contracts.

The non-member commission rate on the Chicago Board of Trade for hedging 5,000 bushels of grain, buying and selling (round turn), is $15.00, which is relatively cheap insurance.

A person who owns stocks may also hedge. Suppose one owns 100 shares of U. S. Steel purchased at 100. The price has declined to say, 95 and the prospects, as indicated by the chief business barometers, are for a still greater decline. By selling 100 shares with the intention of subsequently buying them back at a lower price, hedging is accomplished. Thus if the stock declines to 80, the hedger covers at a 15 point profit, thus wiping out most of the loss on his original purchase. If the stock should rise to 105, the hedger can cover his contract by delivering his original purchase without loss on the transaction. Thus hedging, contrary to popular impression, whether in commodities, foreign exchange, or in securities, is the very opposite of speculation, undertaken in fact, for the purpose of avoiding the risk of price changes. (See Futures.)

HEIR

In a strict technical sense, a person, also known as an heir-at-law, who is entitled to the real property, or a proportionate share thereof, left by a deceased person who made no will, i. e., a person who succeeds to an intestate estate. In civil law the term has a broader meaning, and includes any person who is created successor of an estate by the operation of law or by will. In the first case (of intestacy) he is the next of kin, and is called the heir-at-law, or heir by intestacy; in the second case, the testamentary heir. No person can be an heir of a living person, but may be an heir apparent.

A direct heir is a lineal descendant, or one in the direct line of the decedent, e. g., son, daughter, father, mother, grandson, granddaughter. A collateral heir is one not in direct line of the decedent, e. g., brother, sister, uncle, aunt, nephew, niece.

In New York, all distinctions between persons who take as heirs at law or next of kin were abolished by new Article 3 of the Decedent Estate Law, effective September 1, 1930, and the descent of real property and distribution of personal property has since been governed uniformly by this statute to "distributees".

HEIR-at-LAW

See Heir.

HIDE EXCHANGE

See Commodity Exchange, Inc., Hides.

HIDES

The Standard Hide Contract on the Commodity Exchange, Inc. calls for the delivery of 40,000 lbs. (5% more or less) of Wet Salted Hides certificated by the Hide Inspection Bureau of the Exchange, with seller's option to deliver any one of the various deliverable grades at the fixed premium or discount above or below the base grade. Delivery is effected at the seller's option at any time during the month specified in the contract ex licensed warehouse in the Port of New York or in the City of Chicago or other delivery points designated by the Board.

Trading unit is 40,000 lbs. of wet salted hides. Quotations are in multiples of 1/100 of one cent per lb. Each 1/100 of 1¢ per lb. is thus equivalent to $4.00 per contract. A fluctuation of one cent per lb. is equivalent to $400 on a contract. No contracts for the delivery of hides shall be made or recorded for any month other than March, June, September and December. When trading in any such current delivery month ceases, trading in the corresponding delivery month of the next year may commence on the opening call of the next session.

The price quoted on the Exchange is in respect to the base grade, which is Standard No. 1 Light Native Cows—July/August or September take-off. The following grades are tenderable at the price of the base grade, or at fixed premiums or discounts above or below the price of the base grade as shown in Table I on page 288 for the respective standard grades. On hides which have been taken off during months other than the basis take off (July/August/September), there is an allowance to the buyer by the seller, i. e., a percentage of the net

weight after adjustment for tare is deducted therefrom on the basis set forth in Table II below.

Table I

Grade	Cents per lb.
"Frigorifico" Heavy Steers	1 1/4¢ Premium
"Frigorifico" Extreme Light Cows and Steers	1/2¢ Premium
"Frigorifico" Cows	1/2¢ Premium
"Frigorifico" Light Steers	1/2¢ Premium
Light Native Cows	Base grade
Extra Light Native Steers	At basis price
Heavy Native Steers	At basis price
Heavy Butt Branded Steers	At basis price
Heavy Texas Steers	At basis price
Heavy Colorado Steers	1/2¢ discount
Branded Cows	1/2¢ discount
Heavy Cows	1/2¢ discount
Light Texas Steers	1/2¢ discount
Extra Light Texas Steers	1/2¢ discount
Native Cows and Steers (all weights)	1/2¢ discount
Branded Cows and Steers (all weights)	1¢ discount
"Pacific Coast" Native and Branded Cows	1 1/4¢ discount
"Pacific Coast" Native and Branded Steers	1 1/4¢ discount

Table II.

Month of Take-Off	Percentage Weight Deduction Domestic Hides	South American Hides
January	7%	None
February	10	None
March	10	2%
April	7	4
May	4	5
June	2	7
July	None	7
August	None	7
September	None	5
October	1%	5
November	3	3
December	5	None

Hides which are inferior in the mechanics of take-off or of quality to the standards for the respective grades will be certificated by the Inspection Bureau with a fixed discount below Standard. Such value must be within 1 1/2¢ per lb. of the Standard for the respective grade.

Commission rates per contract bought or sold for members of the Exchange or non-members residing within the United States or Canada are as follows: (based upon a price per lb.) Below 10¢--members, $7.50; non-members, $15.00; 10¢ and above--members, $10.00; non-members, $20.00.

(See Commodity Exchange, Inc.)

HIGH FINANCE

An expression used to indicate the unwarranted or speculative use of funds belonging to others. Thus the officers of a company who use the company's money for financing an unsound venture, or for the purpose of buying speculative securities for the purpose of making speculative profits, are guilty of high finance. Any situation in which the money of other people is used by a person or concern in a speculative manner. The expression also refers to the practice of borrowing to the utmost limit on one's assets, i. e., trading on a thin equity.

HIGH GRADE INVESTMENTS

Investments of superior merit; bonds or other obligations upon which the principal and interest will be paid under any circumstances which may be reasonably conceived. Most civil bonds, and such bonds of seasoned corporations as are secured by underlying mortgages, and are protected by a long record of earnings and dividend payments, belong to this class. In general the senior bonds of seasoned railroad, public utility, and industrial corporations, and the bonds of the United States Government, and its political subdivisions enjoy the highest investment rating. In their respective groups, the strongest preferred and common stocks may be included as high grade.

To furnish a quick and convenient measure of quality, both Standard-Poor's and Moody's have developed rating systems for bonds as to quality, and Fitch's has developed quality ratings for both bonds and stocks.

(See Bond Ratings.)

Hoarding

Storing money in a secret place. Ordinarily current funds received by individuals or concerns are deposited in banks or used in trading transactions, thus being kept in circulation. Hoarded money is money which is withdrawn from circulation for which use it was intended.

Hoarding may result from three causes: (1) bank depositors during a panic may start a "run" on a bank by withdrawing their cash for fear that they will not later be able to do so; (2) illiterates and immigrants, skeptical of the safety of banks, or ignorant of their advantages, sometimes keep actual money savings in a hidden place, where obviously it earns no interest; (3) when paper money is not maintained on a parity with metallic money which is worth more, the latter may be hoarded or sold at a premium.

HOKEYS

A nickname given to Home Owners Loan Corporation Bonds (q. v.).

HOLDER

The bearer in possession of an instrument; the payee or indorsee of a bill of exchange, check, or note; the person who holds the equitable title to an instrument. (See Holder in Due Course.)

HOLDER IN DUE COURSE

According to Sec. 52 of the Uniform Negotiable Instruments Law and Sec. 91 of the New York Negotiable Instruments Law, a person who has taken a negotiable instrument (check, note, or bill of exchange) under the following conditions: (1) that it is complete and regular upon its face; (2) that he became the holder of it before it was overdue, and without notice that it had been previously dishonored, if such were the fact; (3)that he took it in good faith and for value; and (4) that at the time it was negotiated to him he had no notice of any infirmity in the instrument or defect in the title of the person negotiating it.

The value of being a holder in due course is that in

the hands of such a negotiable instrument is subject to only three defenses: (1) incapacity to contract; (2) want of consent; and (3) illegality where a statute expressly declares the instrument to be void. These defenses must be pleaded and proved.

HOLDING COMPANY

A parent corporation which owns all or the majority of the stock of its constituent subsidiaries. A holding company may be, but usually is not, an operating company, and is organized chiefly for the purpose of owning the securities of the corporations it desires to control. Ownership may be secured by the exchange of its own securities for the securities of its subsidiary corporations, or through the purchase of the securities of its constituent companies from the proceeds of sale of its own securities. It is a favorite device for concentrating control of large properties in the hands of a comparatively few persons with a minimum of capital and maximum of liability. The purpose of a holding company is usually to effect a combination of competing concerns in order to curtail competition and still meet with the requirements of the law, or to secure uniformity of and centralization in management and to effect economies in operation.

Prior to passage of the Public Utility Holding Company Act of 1935, there were two general types of public utility holding companies: (a) those companies whose subsidiaries operated in different parts of the country, furnishing either electric, electric railway, gas or water service; (b) those companies which have been called "finance companies." Such companies were organized solely to finance the organization or acquire the stock of a particular utility company. It was not unusual for this latter type (of which there were comparatively few) to be in turn subsidiaries of larger holding companies. Of the first group there were again two distinct kinds: (a) the type whose main function was to direct the financing of its subsidiaries and generally supervise important policies, but which did not maintain a central management and engineering organization in connection with the operation of its properties, allowing the initiative of operation to repose in local efficient management; (b) the type which went further than this and exercised general centralized management of its companies. The latter type was the more numerous.

Under the Public Utility Holding Company Act of 1935, interstate public utility holding companies were required to be registered with the Securities and Exchange Commission, and in accordance with the requirements of the Act for integration of properties, simplification of corporate and capital structures, and elimination of holding companies beyond the second degree, the Securities and Exchange Commission has taken extensive action. Holding companies with total system assets of $3,218 million as of June 30, 1947 were subject to liquidation and dissolution orders. (See Public Utility Act of 1935.)

HOLDING THE MARKET

Supporting the market. (See Support.)

HOLD-OVERS

In bank clearings and collections, checks and other items which, because of errors or other irregularities, e. g., missing bank stamp, post-dating, etc., cannot be collected on the day of receipt and held over as cash until the following day, or until the irregularity can be adjusted.

HOLIDAYS

See Bank Holidays.

HOME DEBIT

A Self-Check (q.v.); a term used among bank employees to designate checks deposited for credit or represented for payment at the bank on which they are drawn.

HOME LOAN BANK ACT

An Act, approved July 22, 1932, and amended by the Home Owners Loan Act of 1933, which created the Home Loan Bank System, and the Home Loan Bank Board to supervise its operations. This Home Loan Bank System is one of the permanent agencies set up during the crisis and depression of 1932-33 to restore home building and ownership, to make home mortgage finance safer and more economical for investors and borrowers, and to release funds for home repair, modernization and construction.

The Federal Home Loan Bank System as of June 30, 1947 embraces about 3,700 institutions, of which 3,665 were savings and loan associations, cooperative banks and homestead associations, 25 were mutual savings banks and 10 insurance companies. This system serves through eleven regional Federal Home Loan Banks, located throughout the United States. By membership in the system, a lending institution makes its own mortgage assets more liquid because they can be used as collateral to secure loans from the Federal Home Loan bank of its district.

The Federal Home Loan Bank System is supervised by the Home Loan Bank Board (q.v.).

HOME LOAN BANK BOARD

One of the three constituent operating agencies of the Housing and Home Finance Agency (q.v.), the Home Loan Bank Board supervises the Federal Home Loan Bank System and the Federal Savings and Loan Insurance Corporation, as well as directs the liquidation of the Home Owners' Loan Corporation. In accordance with Reorganization Plan No. 3 of 1947, the Home Loan Bank Board is a three-man bi-partisan body. The Federal Home Loan Bank System, a permanent central credit agency for private home-financing institutions, and the Federal Savings and Loan Insurance Corporation, whose purpose is to provide additional protection for funds invested in savings and loan associations, are part of the general objective of the Sytem to provide ample credit to home owners and buyers through private lending institutions and to provide financing for the purchase of homes through improved types of mortgage loans. (See Federal Home Loan Banks, Federal Savings and Loan Insurance Corporation, Home Owners' Loan Corporation.)

HOME OWNERS' LOAN ACT

An Act approved June 13, 1933, revised and amended by the Home Owners Loan Act of 1934 (approved April 27, 1934), which provides for the creation of the Home Owners Loan Corporation, with $200,000,000 of capital to be provided by the RFC and authorization to issue $2,000,000,000 in bonds to exchange for mortgages.

Stipulates that the maximum aid to be given to a home owner by the corporation, through exchange of bonds for

mortgages, would be the equivalent of 80 per cent. of the value of the mortgaged property, not exceeding $14,000; the corporation, in this refinancing, to exchange its bonds up to the permitted maximum for mortgages; the bonds to bear government-guaranteed interest of 4 per cent

Authorizes the corporation, after making such an arrangement, to collect from the home owners interest at 5 per cent. on the refinanced mortgages, the home owners to amortize these loans within fifteen years.

Provides that home owners unable to benefit by this procedure, through the reluctance of mortgage holders, might borrow up to 40 per cent. of the value of their properties for the purpose of reducing to that extent their indebtedness, these loans in no event to exceed 6 per cent. annually.

Authorizes cash loans up to 50 per cent. of the value of homes where comparatively small debts were held against such properties.

Provides for limited loans to recover homes for original owners who might have lost them by foreclosure or forced sale in two years preceding the act.

The Home Owners Loan Act of 1934 authorizes the issuance of $2,000,000,000 of bonds by the Home Owners Loan Corporation which might be sold or exchanged for mortgages.

Provides that bonds be guaranteed as to principal as well as interest by the United States.

Provides that the Secretary of the Treasury might buy and sell these bonds substantially as other government bonds.

Stipulates that the corporation should only have power to refund home mortgages in cases where the home owner was involuntarily in default at the time the Home Owners Loan Act of 1933 took effect and was now unable to refinance his home mortgage indebtedness.

Permits the corporation to advance cash in an aggregate not exceeding $200,000,000, not only to make necessary repairs, but also for rehabilitation, modernization, rebuilding and enlargement of homes.

Authorizes the corporation to grant an extension of principal or interest to a home owner where justified, but eliminated the three-year compulsory moratorium in the act of 1933.

Provides for the redemption of homes lost by the owner subsequent to Jan. 1, 1930, instead of limiting such redemption cases to homes lost within two years prior to the refunding by the corporation.

Authorizes the Home Owners Loan Corporation to buy bonds and debentures of Federal Home Loan Banks and to make advances to such banks, but provided that not exceeding $50,000,000 be invested or advanced in this manner.

Amends the Federal Farm Mortgage Corporation Act of 1934 to provide that the bonds of such corporation should not be issued in excess of its assets.

HOME OWNERS' LOAN CORPORATION

A temporary relief agency, organized in 1933, to refinance mortgages on homes in danger of foreclosure. It was empowered to aid only those home owners who were in actual danger of losing their homes through foreclosure or tax sale or inability to make payments under a purchase money contract; those unable to borrow money elsewhere to make necessary repairs on unencumbered homes; and those whose mortgages were held by institutions in liquidation. The corporation was not permitted to make loans to any other home owners for any purpose.

Mortgages on more than one million homes were refinanced through low interest, long term loans, involving a total of $3.5 billion in loans to home owners, advances to borrowers and other disbursements. A total of 198,000 houses were acquired by the corporation on its loans and advances.

Since 1936, the corporation has been in liquidation, and as of June 30, 1947, inventory of houses acquired in foreclosure on its own loans totaled only 25, and collections were still being made on some 351,000 remaining accounts. Over 84% of the original investment in loans and advances had been collected or liquidated. (See Home Loan Bank Board, Home Owners Loan Act.)

HOME OWNERS' LOAN CORPORATION BONDS

The Home Owners Loan Act of 1934 (q. v.) authorized the issuance of $2 billion of bonds by the Home Owners Loan Corporation which could be sold or exchanged for mortgages. These bonds were dated August 1, 1934, bearing interest at the rate of 2 3/4% per annum, and matured on August 1, 1949, callable at the option of the Home Owners Loan Corporation on and after August 1, 1939 at par and accrued interest on two months notice. Principal and interest on these bonds were guaranteed by the U. S. Government. The bonds have been all called. (See Home Owners Loan Corporation.)

HONOR

To pay a check or demand draft when it is presented to the drawee for payment, to accept a time draft or other time instrument when presented at maturity. A bank honors a check when it pays it. (See Acceptance for Honor, Dishonor, Payment for Honor.)

HOUSE BILLS

Bills of exchange drawn by a bank or other institution on its branch, agency, or subsidiary abroad. They are usually single-name bills.

HOUSING ACT

See National Housing Act.

HOUSING ADMINISTRATION

The Federal Housing Administration, established in June, 1934 by the National Housing Act (q.v.), is now a constituent operating agency of the Housing and Home Finance Agency (q.v.).

HOUSING AND HOME FINANCE AGENCY

Established on July 27, 1947 under Reorganization Plan No. 3 of the President, the Housing and Home Finance Agency now centralizes three constituent operating agencies: (1) the Home Loan Bank Board; (2) the Federal Housing Administration; and (3) the Public Housing Administration. The reorganization of housing agencies in the Government grouped together under the Housing and Home Finance Agency some 13 agencies in seven different departments or independent agencies of the Government.

In addition to general supervision and coordination of the three operating agencies, the Housing and Home Finance Agency Administrator is responsible for direction and supervision of management and disposition of Government owned war housing, as well as completing the temporary housing program for veterans. The Administrator is also a member of the National Housing Council in the Housing and Home Finance Agency, which serves as a coordinating medium for obtaining most ef-

fective use of Government housing activities. Other members besides the Administrator, who is Chairman, are the Chairman of the Home Loan Bank Board; the Federal Housing Commissioner; the Public Housing Commissioner; the Administrator of Veterans' Affairs; the Chairman of the Board of the Reconstruction Finance Corporation, and the Secretary of Agriculture.

(See Federal Housing Administration, Home Loan Bank Board, Public Housing Administration.)

HUNG UP

An expression used to describe the condition of an investor or speculator who has purchased securities the prevailing prices of which are below the original purchase prices, and which, therefore, cannot be disposed of without loss; to be loaded up with undesirable securities thereby tying up the owner's capital, and preventing him from making other commitments at favorable opportunities.

HYDRO-ELECTRIC COMPANY BONDS

Bonds of companies producing and selling electrical energy for power, light, and heat by means of hydro-electric plants. Because of the unpredictability of rainfall and water level, stand-by steam plants are essential for hydro-electric companies, thus diluting the advantage of low cost of normal hydro-electric plant operation. (See Public Utility Bonds.)

HYPOTHECARY VALUE

Loan value; collateral value; the value of securities or other collateral, e. g., notes, acceptances, etc., when placed on deposit with the lender, as a pledge for the payment of a loan. Good bonds usually have a hypothecary value equal to from 75 to 90 per cent. of their market value. (See Collateral, Hypothecation.)

HYPOTHECATION

The deposit of securities, or other collateral, e. g., notes, acceptances, bills of lading, warehouse receipts, etc., as a pledge for the payment of a loan. Securities must be in negotiable form before they are acceptable as Collateral (q. v.).

HYPOTHECATION CERTIFICATE

A certificate attached to a bill of exchange drawn against a shipment of goods, which describes the nature of the shipment, and authorizes the banker buying the bill to dispose of the goods in case payment or acceptance of the bill is refused. The hypothecation certificate, also known as a letter of hypothecation, is given by the seller of the bill together with the bill of lading, insurance certificate and other documents, as further security to the buying bank.

A general hypothecation power is sometimes executed by habitual drawers of bills of exchange which is applicable to all the bills which they may sell to their bankers. This is held by the purchasing bank.

IDENTIFICATION

A bank is liable to a customer for paying a check to an unauthorized payee, and a bank, therefore, must use great care in paying out its funds. When an account is opened the identity of the principals should be established immediately and their signatures placed on file.

Checks or other instruments should not be cashed for persons who are unknown. If a check is presented by a stranger, it should not be cashed until the indorsement or guarantee of one of the bank's customers can be secured. This is the best identification. In the case of small items or checks drawn under letters of credit, personal letters, passports, or an identification book may be accepted as identification media.

Very often a concern's payroll clerk, or persons other than the principal of the account present payroll checks, and authority may be given by the principals for this purpose. The identity of the person receiving the funds should always be established, however, by requiring him to indorse the check. Paying tellers are not usually permitted to cash checks drawn on other banks without approval from an officer. (See Finger Print Identification, Signature Department, Signatures.)

IDLE MONEY

Loose funds not being employed; money awaiting investment; free capital.

This term is also often applied to "excess reserves" (q.v.) of the banking system.

IF ISSUED

See When Issued.

ILLIQUID

Not readily convertible into cash; the opposite of liquid. Illiquid assets are those which can be realized upon only with difficulty, or at a sacrifice in value. Fixed assets are illiquid assets.

IMMEDIATE CREDIT ACCOUNT

In the late '20s, when banks competed actively for deposits and interest was payable on demand deposits, banks sometimes agreed to credit for interest purposes all local items deposited by a customer immediately upon receipt, and out-of-town items immediately upon collection. These accounts were called immediate credit accounts. Payment of the extra interest amounted to a premium for the accounts.

The motive for this competitive practice, the payment of the extra interest, was eliminated by the Banking Act of 1933, which prohibits payment of interest on demand deposits.

IMPAIRED CAPITAL

Under the Revised Statutes (Sec. 5205), every national bank which fails to pay up its capital stock, and every national bank whose capital stock becomes impaired by losses or otherwise, is required to pay the deficiency in the capital stock within three months after receiving notice from the Comptroller of the Currency, by assessment upon the stockholders pro rata for the amount of capital stock held by each.

If any such national bank fails to pay up its capital stock, and refuses to go into liquidation for three months after receiving the notice from the Comptroller, a receiver may be appointed to close up the business of the national bank.

State member banks are subject to compliance with the same requirements imposed on national banks.

IMPAIRED CREDIT

Weakened or diminished credit, especially as expressed in the reduction or total withdrawal of credit usually extended to a concern by its banking connections. Impaired credit may be the result of a breakdown in any one of the essential elements of a credit risk—moral risk, business risk, or property risk. (See Credit, Line of Credit.)

IMPERIAL BANK OF INDIA

The outstanding commercial bank of India, founded in 1921 under the Imperial Bank Act of 1920 as the amalgamation of the three Presidency banks--the Bank of Bengal, founded in 1806; the Bank of Bombay, founded in 1840; and the Bank of Madras, founded in 1843. In addition to its commercial banking activities, the Imperial Bank was invested with a quasi-public character, performing many fiscal functions for the Government, acting as a bankers' bank, operating a large system of branches throughout the country, and stimulating banking development in India. It was originally intended in 1920 that the Imperial Bank should eventually become the central bank for India, but in 1926, the Hilton Young Currency Commission recommended the creation of a separate bank, to be called the Reserve Bank of India, to perform central banking functions, thus leaving the Imperial Bank free to continue its commercial banking activities.

The central bank in India, therefore, having the sole right to issue notes, is the Reserve Bank of India, which was incorporated under the Reserve Bank of India Act in 1934 and commenced operations on April 1, 1935. (See Central Banks.)

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IMPERIAL BANKS

See Joint-Stock Banks.

IMPORT CREDIT

See Letters of Credit.

IMPORT DUTY

See Customs Duty, Tariff.

IMPORT QUOTA

A practice which grew up as a result of the slump in foreign trade during 1930-33 among various nations whereby the quantity of a given import was limited to a specified amount. The purpose is to achieve a better balance of exports and imports.

IMPORT LETTER OF CREDIT

See Letters of Credit.

IMPORT SPECIE POINT

See Gold Points.

IMPROVEMENT BONDS

A sub-classification of municipal bonds.

Bonds issued by a municipality or district for the erection of public works, or other improvements usually with more specific titles, e. g., public improvements, or street improvement bonds. They are sometimes Special Assessment Bonds (q. v.). Improvement bonds are municipal debentures and are not to be confused with Improvement Mortgage Bonds (q. v.).

IMPROVEMENT MORTGAGE BONDS

Bonds secured by a junior mortgage (usually on a railroad or public utility property) to provide for improvements or additions. These bonds are practically equivalent to general mortgage and refunding bonds, and like general mortgage bonds are customarily authorized and issued in sufficient quantity not only to provide for future betterments, but to retire the underlying mortgage bonds as they mature. When first issued they represent a second or perhaps third lien, but upon the retirement of the prior or underlying issues they may eventually become a first lien.

They are to be distinguished from extension bonds which are secured by additional real property or right-of-way, and from improvement bonds which are municipal or quasi-municipal issues. (See Extension Bonds, Improvement Bonds.)

IN AND OUT

An expression used among speculators to denote a transaction quickly turned over. One who buys or sells (or vice versa) a security on the same day, or within a brief period, is in and out of the market.

INACTIVE ACCOUNT

An account with a bank which shows a stationary or declining balance and against which both deposits and withdrawals are infrequent; or an account with a broker which shows few transactions, either purchases or sales. Inactive bank accounts are also called dormant accounts, and are usually transferred to an inactive accounts ledger. State statutes usually provide for escheat or forfeiture to the state of inactive or dormant accounts after specified number of years of inactivity. (See Active Account.)

INACTIVE MARKET

A market in which the volume of sales for the day or other period is small in comparison with average transactions. In an inactive stock market the number of securities dealt in and number of shares per transaction are small due to lack of public participation. An inactive market is usually one in which trading is largely confined to professionals. See under New York Stock Exchange for volume of transactions. (See Active Market.)

INACTIVE POST

The post on the floor of the New York Stock Exchange, Post 30, at which transactions in inactive stocks take place. The unit of trade for "inactive" is 10 shares instead of 100 shares. Inactive stocks are those in which trading interest is scant, and frequently embraces those, including preferred stocks, whose capitalizations are small. An inactive stock may be transferred to an "active" if conditions justify, or vice versa.

INACTIVE SECURITIES

Stocks or bonds, whether listed on the New York or other stock exchange, not frequently traded in. There are degrees of activity and inactivity. Many securities are not traded daily, some not being quoted more than once a month. From the standpoint of collateral (loan) value, any security which is traded every day is regarded as active. From a broker's standpoint, however, a security may not be regarded as active unless, say, 50,000 shares per day are sold, whereas an inactive security might be one in which, say, 500 shares or less, are sold. (See Active Securities, Inactive Post.)

INCOME

A term used in income tax accounting to indicate money received by a taxpayer from all sources. Section 22 (a) of the Internal Revenue Code defines gross income as including gains, profits, and income derived from salaries, wages, or compensation for personal service, of whatever kind and in whatever form paid, or from professions, vocations, trades, businesses, commerce, or sales, or dealings in property, whether real or personal, growing out of the ownership or use of or interest in such property; and also from interest, rent, dividends, securities, or the transaction of any business carried on for gain or profit, or gains or profits and income derived from any source whatever. However, Section 22 (b) of the Code lists 14 specific exclusions from gross income for income tax purposes. These exclusions are not as of right, but are acts of grace on the part of the sovereign, and are subject to change or amendment by Congress.

In a narrow investment sense, the term means the periodic (usually annual) accrual or return upon one's investments or income bearing property, e. g., stocks, bonds, mortgages, notes, real estate, etc., as distinguished from return for services, e. g., salaries, commissions, etc.

The derivation of income may best be shown by the following outline.

(See National Income.)

KINDS OF INCOME

		Property	Income
Property Income	(1)	Land	Rents
	(2)	Capital Investments . .	Interest, Profits
	(3)	Speculative Investments	Profits, Dividends
	(4)	Appreciation and Depreciation on Capital Goods	Profits
Service Income	(1)	Wages	
	(2)	Salaries	
	(3)	Fees, Commissions, Royalties, Tips, etc.	

INCOME BASIS

See Basis, Income Return, Yield.

INCOME BONDS

Bonds the payment of interest upon which is contingent upon earnings. Income bonds usually grow out of railroad reorganizations in which holders of defaulted mortgage bonds are required to accept income bonds. The principal of income bonds may be secured by a mortgage but one which constitutes only a junior lien,

or they may be collateral trust bonds or plain debentures. Interest upon income bonds does not constitute a fixed charge, and is payable out of earnings only after all fixed charges have been met. Failure to pay interest on income bonds, except when earned, does not entitle the bondholders to the right to sue. Interest is not paid if earnings are insufficient, but if the entire interest requirements for the issue are not earned, usually such portion as is earned may be declared payable. Income bonds are cumulative or non-cumulative, interest being dependent on declaration by the Board of Directors, as in the case of stocks.

Generally, income bonds are not high grade investments and are the least desirable of all the bonds of a given corporation. They usually rank just above the preferred stock. (See Adjustment Bonds.)

INCOME ENGINEERING

A newly coined phrase synonymous with budgeting. (See Budget.)

INCOME RETURN

The money accruing or earned upon an investment per year. The income return upon stock is found by dividing the amount of annual dividends by the purchase price; thus, if U. S. Steel common is purchased at 80 and pays $5.00 in annual dividends, the income return is 6.25 per cent. The income return on bonds may mean two things, the annual return upon purchase price, or yield if held to maturity. The former is ascertained in the same way as the income return from stock, i. e., by dividing the annual amount of interest by the purchase price. For the return if held to maturity, see Yield.

INCOME STATEMENTS

Statements of profit and loss for a particular period. Sources of items for the income statement is the temporary summary account, profit and loss account, which is set up in connection with the closing entries for the period in order to close out the nominal accounts of income and expense.

Form and content of income statements vary according to the nature of the business, public regulation, and managerial requirements for accounting detail. Regulation S-X of the Securities and Exchange Commission, relating generally to the form and content of financial statements of registrants under the Securities Act of 1933, Securities Exchange Act of 1934, and the Investment Company Act of 1940, has been a standardizing factor in accounting practices and detail of profit and loss or income statements.

INCOME TAXES

Federal income taxes have been continuously levied in the United States since March 1, 1913. In October, 1913, the first Federal income tax law was passed, following ratification of the 16th Amendment to the Constitution of the United States the previous February. That amendment added nothing to the taxing powers of the Federal Government, but merely provided that Congress shall have power to lay and collect taxes on incomes without apportionment, and without regard to any census or enumeration. Thus, Congress did have the power to lay taxes on income before March 1, 1913, but under the decision of the U. S. Supreme Court that such taxes were direct taxes, income taxes before March 1, 1913 would have had to be apportioned, in accordance with such Constitutional requirement for direct taxes.

The United States had an income tax during the Civil War, but this was given up shortly after the war. In 1894, Congress enacted an income tax, but this was declared unconstitutional by the Supreme Court, which ruled such a tax a direct tax and hence unconstitutional because it was not apportioned. Congress in 1909 proposed the 16th Amendment to the States, and such amendment was declared ratified by proclamation on February 25, 1913.

Although one or two states had enacted personal income taxes in the latter part of the 19th century, the first state to enact modern income taxes was Wisconsin, in 1911. As of July 1, 1947, 31 states and the District of Columbia levied income taxes of varying degrees of severity.

Before the 1932 depression and revisions of the income tax laws, both Federal and State, personal exemptions were quite high, with the result that the incidence of taxation among the low income groups was light. It is estimated that prior to the depression, only one out of every nine families paid Federal income taxes. Since 1932, however, exemptions have been lowered, rates increased, and the incidence of the income tax broadened considerably.

The income tax is the largest source of Federal revenues. For the 1947 fiscal year, the Treasury reports that individuals paid $19.6 billion in income taxes, or 44% of total receipts, and corporations paid another $9.7 billion, or 22% of total receipts, in income and excess profits taxes, making a total of $29.3 billion in revenue from these sources, or 66% of total receipts. Thus, income taxes are a highly productive source for the Federal Government, in addition to being highly flexible to revenue needs with their ease of amendment in rates and exemptions. In the case of the states, general and special property taxes, as well as gasoline and license levies, are the principal sources of revenue, although income taxes for various states have assumed increasing importance.

1947 Report.--The Treasury reports that individual income tax receipts increased in the fiscal year 1947 as compared with the fiscal year 1946 as a result of the increased levels of taxable income, more than offsetting the full year effect of the reduction in rates instituted by the Revenue Act of 1945. Individual income tax receipts during the fiscal years 1941 through 1947 accounted for $88.0 billion in receipts. In 1947, receipts from income and excess profits taxes amounted to $29.3 billion, a decline of $1.6 billion, or 5.1%, from 1946. A decrease of $2.9 billion in receipts from corporation income and excess profits taxes was partially offset by an increase of $1.3 billion in receipts from the individual income tax. Income and excess profits taxes accounted for 65.6% of total receipts for the 1947 fiscal year, compared with 42.0% in 1941. As between the two sources of revenue, the individual income tax has for the past four years provided the larger amount of revenue, and in 1947 amounted to more than double the corporation receipts.

Income and excess profits taxes upon individuals and corporations during the past seven years have yielded the highest revenues in United States history, as shown on table on page 295.

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Fiscal Year	Individual Amount	Individual Per Cent of Total	Corporation Amount	Corporation Per Cent of Total	Combined Amount	Combined Per Cent of Total
1941	$1,416.2	17.1%	$2,053.5	24.9%	$3,469.6	42.0%
1942	3,216.4	23.5	4,744.1	34.7	7,960.5	58.2
1943	6,505.0	27.8	9,588.7	41.0	16,093.7	68.8
1944	19,779.2	43.5	14,875.7	32.8	34,654.9	76.3
1945	19,145.8	40.1	16,027.2	33.6	35,173.1	73.7
1946	18,331.2	41.4	12,553.6	28.4	30,884.8	69.8
1947	19,628.8	44.0	9,676.8	21.6	29,305.6	65.6

(See National Income, New York State Income Tax.)

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INCOMING EXCHANGES

Checks presented at a clearing house by other member banks upon the bank against which they are drawn in the clearing process. In the exchange of checks at the clearing house, each bank is presented by other member banks with the checks drawn against it which other banks previously have taken for credit. Incoming exchanges are the checks which each bank receives at the clearing house from other members, as distinguished from the checks which each bank presents against the other member banks. Incoming exchanges represent debits to the receiving bank's depositors' accounts. (See Clearing House, Clearing House Exchanges.)

INCONVERTIBLE PAPER MONEY

See Fiat Money, Irredeemable Paper Money.

INCORPORATED TRUSTEE

A trust company; a bank authorized by law to act in a fiduciary capacity, as distinguished from an individual trustee. (See Trustee.)

INDENTURE

A deed or agreement under seal between two or more parties, so called because originally a deed was indented or zigzagged along one of the margins. Since issued in duplicate, proof of genuineness or falsity of the documents was secured by comparing the indentations on the original with the duplicate, which if genuine, coincided with the original. In modern usage this term is equivalent to mortgage indenture or Deed of Trust (q.v.).

INDEPENDENT BANKING SYSTEM

A banking system in which banking is conducted by separate, local institutions, owned in the community in which they are established,locally managed, and having a single office, or if branch offices, the latter are confined to the same city. Independent banking is one of the features of the American banking structure, as distinguished from branch banking which characterizes the banking of Canada and many of the European countries, where banks are permitted to establish branches without limitation as to number or location.

The advantages claimed for independent banking are that it prevents the development of centralized control, and the concentration of banking power in the hands of a few individuals. It also permits sounder banking operations, especially in providing credit, since each banking unit is in closer contact with the local situation which is more likely to be understood by resident managers than by officials operating from a central office.

(See Branch Banking.)

INDEPENDENT TREASURY SYSTEM

A system established in 1846 under which Government funds were taken out of the banks and placed in the Treasury and sub-Treasuries. Between 1833, the date of the expiration of the charter of the Second Bank of the United States, and 1846, Government funds were maintained in state chartered banks exclusively. It was largely due to the charge of favoritism in the selection of state banks as depositories that the Independent Treasury System was adopted. Prior to 1833, Government funds were kept in the First and Second banks of the United States. (See Bank of the United States.)

In the period from 1846 to 1863 Government funds were exclusively in the Treasury and sub-treasuries, no banks being used as depositories of Government funds until after the National Banking System was established in 1863. After the establishment of this system, National banks to some extent served as Government depositories, thereby supplementing the treasuries as custodians of Government funds. With the establishment of the Federal Reserve System, the Federal Reserve banks were intended to serve as the chief depositories for Government funds, although member banks are still eligible for this purpose and large amounts are still kept on deposit with them.

The disadvantage of the independent Treasury system was that it was likely to disturb the money market by irregular deposits and withdrawals of money. While some of the governmental receipts from taxation were regular, a large portion, including income taxes, were quarterly. Withdrawals, moreover were apt to be exceedingly irregular. If irregular deposits and withdrawals happened to occur when money was tight—especially at the crop moving period, the result was likely

to be harmful. On the other hand, the Independent Treasury System was of aid in time of a crisis or panic by the deposit of surplus Government funds in the banks, thus providing a larger central reservoir. Sub-treasuries were abandoned in 1921, their functions being taken over by the Federal Reserve banks. (See Depository, Sub-Treasury, Treasury Department, Treasury Statement.)

INDETERMINATE BONDS

Bonds which have no fixed maturity date but which are callable at the option of the issuer usually after a specified date. (See Perpetual Bonds.)

INDEX-NUMBERS

Numbers which are representative or typical of the movement of prices of a single commodity or group of commodities (or wages, securities, exports, or other variable) or of the average prices prevailing during a given period, taken as a base with which to compare the price of these commodities (or other variables) at later dates.

The following is a definition of an index-number of wholesale commodity prices: "An index-number of any given article at any given date is the percentage which the price of that article at that date is of the price of the same article at a date or period which has been selected as base or standard. The method of computing index-numbers may be illustrated as follows. The average price of each commodity for the year 1913 is considered as 100. Then every month the prices of the various commodities are turned into relatives on that scale. Thus if wheat sold in 1913 at $1.00 a bushel and in May, 1918, at $2.26 a bushel, the relative price of wheat is then 226. If, on the other hand, the price of any commodity should drop from 50 cents to 40 cents, the relative price would be 80. To ascertain the change that has occurred from month to month in the general level of prices it is only necessary to strike an average of those prices" (Moulton, H. G.: Financial Organization of Society).

An index-number may be (1) an average of relative prices or average percentages of change in prices; (2) a sum in dollars and cents showing changes in the aggregate cost of certain definite quantities of certain commodities, e. g., Bradstreet's index-number of wholesale prices; and (3) relative figures made from a series of the second type.

Most index-numbers are general series, and while the majority of them are prepared to show changes in wholesale prices, they may also be constructed to show (1) the change in the value of money; (2) rise or fall in the cost of living; (3) alterations of periods of prosperity and depression; (4) the change in the purchasing power of the dollar; (5) the change in wage level, in export and import trade, bank clearings, bank deposits, etc.

The purpose of index-numbers of wholesale prices is to show the variation or trend in the price level. There are three general types of such index-numbers, the continuous index-number, e. g., "Dun & Bradstreet's," the chain index (not frequently used), and the base index. Preference seems to be for the first which shows the average rise or fall of prices compared with the next or any preceding date, e. g., week, month, or year. In the base index comparison is made with the average of prices for a fixed base period, e. g., 1926, that used in the Bureau of Labor Statistics index-number. Base index-numbers become less significant the longer they are maintained.

"Making an index number involves several distinct operations: (1) defining the purpose for which the final results are to be used: (2) deciding the number and kinds of commodities to be included; (3) determining whether these commodities shall be weighted according to their relative importance; (4) collecting the actual prices of the commodities chosen, and, in case a weighted series is to be made, collecting also data regarding their relative importance; (5) deciding whether to measure the average variations of prices or the variations of a sum of actual prices; (6) in case average variations are to be measured, choosing the base upon which relative prices shall be computed; and (7) settling upon the form of average to be struck.

"At each one of these successive steps choice must be made among alternatives that range in number from two to thousands. The possible combinations among the alternatives chosen are indefinitely numerous. Hence there is no assignable limit to the possible varieties of index-numbers, and in practice no two of the known series are exactly alike in construction" (Mitchell, W. C.: The Making and Using of Index Numbers).

The Bureau of Labor Statistics index-number of wholesale prices, computed both on a monthly and weekly basis, is undoubtedly the most comprehensive of those compiled in the United States. For this reason, its movements are more restricted than the indexes composed of a smaller number of items, such as the so-called "sensitive indexes" which select commodities especially sensitive to price changes. This index number, computed from 784 commodities is available as representative of all commodities, non-agricultural commodities, and 18 separate sub-groups, as follows; farm products; foods; hides and leather products; textile products; fuel and lighting materials; metals and metal products; building materials; chemicals and drugs; housefurnishing goods; miscellaneous; automobile tires and tubes; cattle feed; paper and pulp; rubber, crude; other miscellaneous; raw materials; semimanufactured articles; finished products.

A great number and variety of index numbers are published regularly by official and unofficial sources in the United States, as compared with a paucity of such data in the United States before World War I. The appended table tabulates some details of index numbers pertaining to commodity prices and the price level. Principal official sources of index numbers are the Departments of Agriculture, Commerce and Labor, and the Board of Governors of the Federal Reserve System. The Department of Commerce in its Survey of Current Business and the Board of Governors in the Federal Reserve Bulletin regularly publish complete business indexes which afford an index view of the trend of prices, business activity and production.

(See Cost of Living Index, Production Index.)

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Price Index Numbers in the United States

Name of Index Number	Year Began	Base	Number of Groups	Number of Commodities	Where Published
Babson	1905	1908-12	--	26	Babson's Reports
Bradstreet's	1892	None	13	96	Financial Newspapers
Dun's	1860	None	7	300	Dun's Review, Statistical Supplement
Dun & Bradstreet	1932	1930-32	--	30	Dun's Review, Statistical Supplement
Fairchild Publications	1930	Dec.30-Jan.1, 1931	5	(a)	Daily News Record, Women's Wear Daily
Federal Reserve Bank of N. Y.	1860	1913	--	(b)	Monthly Review
Index Number Institute	1929	1926	11	131	Market Survey
Journal of Commerce, N.Y., Daily	1933	Dec. 31,1933	4	31	Journal of Commerce, N.Y.
Weekly	1930	1927-29	--	110	Journal of Commerce, N.Y., Mondays
Moody's	1928	Dec. 31,1931	--	15	Stock Survey
National Fertilizer Association	1927	1916-27	16	240	Weekly Release
United States-- Bureau of Labor Statistics	1890	1926	18	784	Monthly Labor Review
Dept. of Commerce	1920	1923-25	--	8	Survey of Current Business

(a) Retail prices of representative non-style articles, based on reports from 53 leading stores.
(b) Weights applied to 12 kinds of prices, for combined index of general price level.

INDIA COUNCIL BILLS (DRAFTS)

Bills sold by the India Council in London. The Secretary of State used to sell Council bills and telegraphic transfers in London, payable in rupees in India, as a means of converting sterling into rupees. However, since 1923, the Government of India has been operating directly in the exchange market by purchasing sterling in India by public tender or privately from the exchange banks through the Imperial Bank (q. v.).

INDICATED YIELD

A term sometimes used for yields on bonds (either current return or yields to maturity) and stocks; especially when determined by reference to yield tables. Crop reports also list indicated yields of crops. (See Crop Reports; Yield.)

INDIRECT EARNINGS

Same as Equity Earnings (q. v.).

INDIRECT EXCHANGE

See Arbitrage, Arbitration of Exchange.

INDIVIDUAL BANK DEBITS

See Bank Debits.

INDIVIDUAL BANK RETURN

See Bank Return.

INDIVIDUAL BANKER

A private bank; an individual partnership or unincorporated association engaged in the banking business and subject to the jurisdiction of the State Banking Department, as distinguished from an incorporated bank. In most states, the banking function of receiving deposits from the public is restricted to banks incorporated under Federal or State law.

INDIVIDUAL DEPOSITS

Funds deposited with a bank by individuals, partnerships, firms, and business corporations (other than banking corporations), as distinguished from deposits of banks, trust companies, and other moneyed corporations. The Board of Governors of the Federal Reserve System prepares estimates of individual, partnership and corporation deposits for its studies on ownership of deposits.

Demand deposits, excluding interbank and Government deposits, are used in connection with bank debits and calculation of deposit turnover by the Board of Governors.

INDIVIDUAL TRUSTS

See Trusts.

INDORSE

To place one's signature on the back of a document as evidence of its legal transfer and passing of title, such as on a check, note, stock certificate, bill of exchange, bill of lading, etc. (See Indorsement.)

INDORSED BONDS

This term has two meanings:

(1) Bonds indorsed by a person or corporation other than the maker whose direct obligation they are. Indorsed bonds usually arise out of a consolidation in which the parent corporation purchases the bonds of its subsidiary. In order to strengthen their value marketwise, or as collateral for loans, the parent company may indorse them. A guaranty is implied in an indorsed bond, the indorser becoming liable in case of non-payment, just as in the case of an indorser of a note. The terms of the guaranty are written upon the bonds themselves, or upon a separate document. The underlying security is not changed by the indorsement.

(2) Bonds with writing or signatures extraneous to the text written thereon. By a rule of the New York Stock Exchange, a coupon bond bearing an indorsement of a definite name of a person, firm, corporation, association, etc., in conjunction with words of condition, qualification, direction or restriction, not properly pertaining thereto as a security, shall not be a delivery unless sold specifically as an "endorsed bond". This rule also applies to bonds with coupons bearing such endorsements.

INDORSEE

One to whom a negotiable instrument payable or indorsed to order is negotiated by indorsement and delivery. If the instrument is payable to bearer on its face, or if it is payable to order on its face and the last indorsement is in blank, the instrument may be negotiated by delivery alone. In the indorsement "Pay to the order of A. B. See, (signed), D. E. Eff," the indorsee is A. B. See. An indorsee is a "holder" of the instrument and has important rights as such (Right of the Holder, Article IV of the Uniform Negotiable Instruments Law, Article V of the New York Negotiable Instruments Law). (See Indorse, Indorsement.)

INDORSEMENT

The writing on the back of a negotiable or other instrument. The indorsement of a check, bill of exchange, or note consists of words, qualifying or not, followed by the signature of the indorser, who may be the payee, drawee, accommodation indorser, or holder, or simply the signature alone thereof. Indorsement is the means, plus delivery, by which order instruments are negotiated to another person. Negotiation consists of the transfer of title to and rights in an instrument from one person to another so that the transferee becomes the legal holder. If the instrument is payable to bearer, it is negotiable by delivery alone; if payable to order, it is negotiable by the indorsement of the holder completed by delivery.

An indorsement must be written on the instrument itself or upon a paper attached thereto, called an Allonge (q.v.). An indorsement must be an indorsement for the full amount of the instrument, but where the instrument has been paid in part, it may be indorsed as to the remainder. There is no limit to the number of indorsements that may be made on a negotiable instrument, except where negotiability has been destroyed.

There are five kinds of indorsements recognized in the Negotiable Instruments Law:

(1) Indorsement in blank, also known as general indorsement. If the instrument is payable to A. B. See, the indorsement in blank is his simple signature without additional words, i.e., "A. B. See." It specifies no particular indorsee, and thereafter is payable to bearer, and may be negotiated by delivery alone. It is a common form of indorsement, but has the objection that if the instrument is lost or stolen, it may come into the possession of a holder in due course, and being payable to bearer, may be paid to him. The holder may convert an indorsement in blank into a special indorsement.

An indorsement in blank is an unqualified indorsement, and thus the indorser thereof makes all the warranties to all subsequent holders in due course specified in Sec. 66 of the Uniform Negotiable Instruments Law (Sec. 116, New York Negotiable Instruments Law).

(2) Special indorsement, also known as direct indorsement, and indorsement in full. This indorsement specifies the person to whom or to whose order the instrument is payable, and the indorsement of such increase is necessary to the further negotiation of the instrument. If an instrument is payable to A. B. See, the special indorsement is "Pay to Adam Smith, A. B. See" or "Pay to the order of Adam Smith, A. B. See." This is the most proper form of unqualified indorsement and offers the owner the greatest protection both from a legal and practical standpoint. Without Adam Smith's indorsement, the instrument cannot be negotiated except by forgery.

A special indorsement is an unqualified indorsement, and the indorser thereof makes all the warranties to all subsequent holders in due course detailed in Sec. 66 of the Uniform Negotiable Instruments Law (Sec. 116, New York Negotiable Instuments Law).

(3) Conditional indorsement. This is an infrequent form of indorsement in which the indorser imposes some condition upon the transferee, e. g., "Pay Adam Smith upon the satisfactory performance of his contract, (signed) A. B. See", or "Pay Adam Smith or order if I am elected to the City Council, (signed) A. B. See." Where an indorsement is conditional, a party required to pay the instrument may disregard the condition and make payment to the indorsee or his transferee, whether the condition has been fulfilled or not; but any person to whom an instrument so indorsed is negotiated will hold the same, or the proceeds thereof, subject to the rights of the person indorsing conditionally (Sec. 39, Uniform Negotiable Instruments Law; Sec. 69, New York Negotiable Instruments Law).

The conditional indorsement is an unqualified indorsement dependent upon the condition's fulfillment, and the indorser thereof thus makes all the warranties, if the condition is fulfilled, specified in Sec. 66, Uniform Negotiable Instruments Law (Sec. 116, New York Negotiable Instruments Law).

Qualified indorsements are of two types and constitute the indorser a mere assignor of title to the instrument:

(4) "Without recourse", or words of similar import. The qualified indorsement, "Without recourse, (signed) A. B. See" does not destroy the negotiability of the instrument. Effect of this indorsement is to limit the warranties and engagement to pay; instead, the "without recourse" indorser makes the limited warranties found in Sec. 65, Uniform Negotiable Instruments Law (Sec. 115, New York Negotiable Instruments Law).

(5) Restrictive indorsement. A restrictive indorsement is a blank or special indorsement accompanied by words which either (1) prohibits the further negotiation of the instrument; or (2) constitutes the indorsee the agent of the indorser; or (3) vests the title in the indorsee in trust for or to the use of some other person. Thus, the indorsement "For deposit only, (signed) A. B. See" prohibits further negotiation of the instrument; and the indorsement "Pay Adam Smith for collection, (signed) A. B. See" constitutes the indorsee the agent of the indorser. The third type, "Pay Adam Smith in trust for John Jones, (signed) A. B. See", is rare.

Under Sec. 37, Uniform Negotiable Instruments Law (Sec. 67, New York Negotiable Instruments Law), a restrictive indorsement confers upon the indorsee the rights to (1) receive payment of the instrument; (2) bring any action thereon that the indorser could bring; (3) transfer his rights as such indorsee, where the form of the indorsement authorizes him to do so. All subsequent indorsees acquire only the title of the first indorsee under the restrictive indorsement.

The restrictive indorser is a qualified indorser, and makes the limited warranties found in Sec. 65, Uniform Negotiable Instruments Law (Sec. 115, New York Negotiable Instruments Law).

For further details and incidents of indorsements, see Article III, Uniform Negotiable Instruments Law (Article IV, New York Negotiable Instruments Law).

INDORSEMENT IN BLANK

The signature of the indorser, without additional words, is a sufficient indorsement (Sec. 31, Uniform Negotiable Instruments Law, Sec. 61, New York Negotiable Instruments Law). For example of indorsement in blank, and legal effect thereof, see Indorsement.

INDORSEMENT IN FULL

Known as the special indorsement in the Negotiable Instruments Law. It specifies the person to whom or to whose order the instrument is payable, followed by the signature of the indorser. For example of indorsement in full (special indorsement), and legal effect thereof, see Indorsement.

INDORSER

One who transfers his title to an instrument to another party by indorsement. (See Indorse, Indorsement).

INDUSTRIAL BONDS

Bonds issued by industrial corporations (excluding mining and real estate bonds), as distinguished from Government, municipal, public utility, railroad bonds, etc. Industrial bonds are essentially a modern type and were practically unknown prior to 1900, when the great industrial corporations, requiring large sums of capital, began to develop. Most industrial corporations still have no bonded debt, but are capitalized with preferred and common stock issues, doing their financing through commercial paper and seasonal bank loans. A large volume of industrial bonds was issued during World War I and following readjustment period, however, due to unprecedented growth of American industry and the necessity of raising additional capital funds. Industrial bonds are usually secured by a first mortgage upon a part or all of the plant of the issuing corporation although there are a few instances of collateral trust and unsecured issues.

Industrial bonds as a class are not considered as high grade investments as the other classes, although there are many individual issues that command a standing superior to issues in the other classes enumerated. Industrial bonds are considered more speculative than the other classes, because (1) they are unseasoned, i. e., have not been on the market as long as the others, and the record of insolvencies and defaults is unfavorable in comparison with the other classes; (2) lack of standardization due to the great diversity of industrial undertakings and the lack of uniformity in methods of operation, accounting, statistics, etc., each concern being a case by itself; (3) the dependence for success upon the high quality of management and personnel; and (4) instability of sales and earnings, which are subject to wide fluctuations, and in times of depression may not be sufficient to cover interest charges.

Leading industrial corporations have had no difficulty in bond financing or refunding at low interest rates of recent "easy money" years. Examples of high grade industrial issues (quality rating A1+) issued in recent years include: Deere & Co., Deb. 2 3/4s, 1965; Phillips Petroleum Deb. 2 3/4s, 1964; Standard Oil of California 2 3/4s, 1966; Standard Oil of New Jersey 2 3/8s, 1971; Texas Corp., 3s, 1965; and Westinghouse Electric Deb. 2 5/8s, 1971. Industrial bonds rated A1 include: Allis-Chalmers Mfg. 2s, 1956; Caterpillar Tractor Deb. 2s, 1956; National Dairy Products 2 3/4s, 1970; Shell Union Oil 2 1/2s, 1971; Swift & Co., 2 5/8s, 1972; and Union Oil of California 2 3/4s, 1970. Industrial bonds rated A include: American Tobacco Deb. 3s, 1969; Bethlehem Steel 2 3/4s, 1970; P. Lorillard 3s, 1963; Skelly Oil 2 3/4s, 1965; and Tennessee Gas & Transmission 2 3/4s, 1966.

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INDUSTRIAL COLLATERAL

One of the two classes of stock exchange collateral. Brokers who borrow in the call money market may present to the lending bank either industrial or regular (also called mixed) collateral. Industrial collateral consists entirely of stocks of industrial corporations actively traded on the New York Stock Exchange. (See Call Money Market, Collateral.)

INDUSTRIAL RECOVERY ACT

See National Industrial Recovery Act.

INDUSTRIAL STOCKS

Stocks of corporations in the extractive, manufacturing and distributive lines of business, as distinguished from railroad, public utility, bank, insurance company, and investment company stocks.

The magnitude of the industrial field lends itself to a wide range in detail of classification. A current classification, based on nature of the industry, is Barron's group classification for its group stock averages, as follows:

(1) Automobiles, (2) Automobile Equipment, (3) Aircraft Manufacturing, (4) Air Transport, (5) Building Materials and Equipment, (6) Chemical, (7) Copper, Lead and Zinc, (8) Drugs, (9) Dry Goods Chains, (10) Electrical Equipment, (11) Farm Equipment, (12) Foods and Beverages, (13) Gold Mining, (14) Grocery Chains, (15) Liquor, (16) Machinery (Heavy), (17) Motion Pictures, (18) Office Equipment, (19) Oil, (20) Packing, (21) Paper, (22) Railroad Equipment, (23) Retail Merchandise, (24) Rubber, (25) Steel and Iron, (26) Textiles, (27) Tobacco. The Chief characteristics of industrial stocks are the great variety in the lines of business they represent, lack of uniformity in methods of operation, accounting, and managerial skill, lack of stability in sales and production, and wide variations in earnings as result of alternate periods of prosperity and depression.

Industrial stocks are considered to be the most speculative of all types of securities. The enumeration above of their chief characteristics reveals some of the speculative elements necessarily inherent in their very nature. There is, however, a wide divergence in the stability of the various groups of industrial stocks and among individual issues in the same group. Companies engaged in the manufacture and sale of basic commodities, e. g., steel, equipment, food, clothing, etc., are obviously more stable than those engaged in the production of specialties, the market for which is less broad. Preferred stocks, moreover, often enjoy a fairly high investment rating, especially among companies which are conservatively financed. Common stocks which represent the last claim upon the assets and earnings of a corporation, are subject to considerable fluctuation in market price even among the best established and managed corporations.

In the original financing of many industrial corporations, the property was often purchased from proceeds of sale of preferred stock, or more rarely, bonded debt, common stock representing capitalization of future earning power. Many of these companies have since built up substantial property values against their common as well as preferred stock by reinvestment of a portion of annual earnings in fixed property. Most of the development of industrial corporations in fact, has been accomplished in this way. Many leading industrial corporations have characteristically paid in dividends highly conservative ratios of current earnings, thus "ploughing back" the bulk of earnings and self-financing expansion needs to a large extent in this manner.

In determining the value of industrial stocks as speculative investments the following points should be considered: nature and degree of stability, skill and responsibility of the management, amount of funded and floating debt, amount of prior charges, actual (not book) value of net assets per share, net current assets per share, current earnings per share, prospective earnings, average earnings over past five years per share, and current dividend rate. Generalized, tests in selecting industrial stocks are: Safety of principal, future prospects, management, personnel, certainty of income, marketability, potential appreciation, yield, security behind issue, stability of business, and trend of earnings and expenses. (See Speculation.)

INDUSTRIALS

See Industrial Bonds, Industrial Stocks.

INFLATION

A condition of buoyancy or expansiveness; the process of being puffed up. In the financial sense, the term has varied connotations, but basically, whatever the cause, is characterized by rising commodity and stock prices, increased business activity and profits, and a corresponding fall in the purchasing power of money. In this general sense, inflation is the exact opposite of deflation, a process or succession of events whereby commodity and stock prices, business activity and profits are declining, but with a concomitant rise in the purchasing power of money.

Herewith follow a number of definitions of inflation:

"I define inflation as a condition brought about when the means of payment in the hands of those who will spend them increase faster than goods can be produced. In other words, the volume and velocity of money must be related to the volume of actual and potential production of real wealth. I asked the question: 'How is it possible to have inflation when men are idle and plants are idle?' There can be speculative excesses when surplus funds bid up stocks or real estate, but inflation in the generally accepted sense can only come about by increasing the means of payment in the hands of people who are willing to spend faster than we can increase production."—Marriner C. Eccles, Chairman of the Board of Governors of the Federal Reserve System, November 22, 1935.

"Inflation exists in a country whenever the supply of money and of bank deposits circulating through checks, so-called deposit currency, increases relatively to the demand for media of exchange in such a way as to bring about a rise in the general price level." —Dr. Edwin W. Kemmerer.

"An increase in the general level of prices growing out of an increase in expenditures while goods available for purchase are not correspondingly increased in amount."—Dr. James Harvey Rogers.

Under normal conditions inflation is merely another name for credit expansion and a general rise in trade activity on a "sound" basis that historically has occurred during a period of revival or recovery following a trade depression, although the term is frequently reserved for that final phase of prosperity which in the past has led to speculative "excesses" in commodity and/or stock price movements, immediately preceding a crisis or collapse. The period from 1915 to 1919, the World War I boom, was one of great activity and credit expansion, brought about chiefly by large emissions of Government bonds, financed through the Federal Reserve System, as well as by popular subscription. During this period, as well as the period of rising prosperity between 1922 and 1929, the characteristics of inflation prevailed, but of orthodox credit inflation rather than through any change in the value of the monetary unit, or in its quality. A considerable range in latitude for inflationary symptoms thus exists within the normal mechanism of credit and debt-creation, i. e., by an expansion in the use of bank credit, heavy security flotations, and a rapid turnover of bank deposits, without involving any change in the monetary mechanism. Indeed, in the United States, where approximately 85 per cent. to 90 per cent. of all transactions are consummated by means of check payments (bank deposit currency), such inflations as arose in the period from 1879 to 1929, were uniformly credit inflations. By the same token, deflationary periods during this half century were credit deflations. (See Business Cycle.)

In the popular mind, however, and particularly since the money controversy of the years 1932-34, the term inflation (and its counterpart deflation) is less associated with the normal ups and downs inherent in the business cycle, than with monetary manipulation undertaken as a deliberate act of a Government, through its monetary authorities, to achieve a definite end, e. g., (1) to raise commodity prices, (2) to ease the burden of public and private debt, (3) to decrease the claims of creditors in terms of commodity prices considered abnormally low in comparison with prices at the time the credits were extended, (4) to prevent further bankruptcies and permit the liquidation of frozen bank assets, (5) to protect gold (or other metallic) reserves, and (6) to stimulate demand for a nation's products (by resultant lower exchange rate of its currency) in world markets, etc. While, as heretofore stated, the common denominator of any inflation is a rise in prices in most, if not all, parts of the economic structure, the characteristic of monetary inflation is that the general price level is forced up by altering the money side of the equation of exchange, either by increasing the quantity of money, impairing its quality, e. g., denying its redeemability, or lowering the metallic content of the unit, or both, or increasing the velocity of circulation.

In the era before the credit system developed, the common form of currency manipulation was debasement of the coinage. A sovereign, hard pressed for funds, and not wishing to risk heavier tax levies, had only the choice of substituting baser coins for those outstanding, or reducing their metallic content. The inflation of the French Revolution, usually regarded along with the German inflation culminating in 1924 as the most disastrous in history, was one of paper money secured by confiscated church lands.

Types of Inflation.—Monetary changes that are commonly regarded as constituting inflation or as tending to produce inflationary consequences, may be cited as follows:

(1) Suspension of gold payments. This may mean repeal of the right of the public to redeem currency, or the refusal to permit gold exports, or both. Usually, suspension of gold payments involves loss of both rights. It does not, however, necessarily prevent the maintenance of a free gold market in the country that has suspended gold payments. It does mean that gold will command a higher price in terms of the currency no longer respecting a fixed rate of convertibility, such higher price depending upon the market's judgment of the worth of that currency relative to other currencies.

(2) Devaluation, i. e., lowering the gold (or other metallic) content of the monetary unit and seizure by the Government of the resulting "write-up" or profit.

(3) Introduction of silver into the monetary system, either as token money, at a coinage value above its commercial (bullion) value, as Bimetalism (q. v.), or without a definite ratio of coinage with gold, or as Symmetalism (q. v.).

(4) Issuance of fiat or irredeemable paper money, either under statutes strictly limiting the size of the issue, or without limitation.

Suspension of gold payments is a procedure for protecting gold reserves or stimulating export trade, and may be initiated without inflationary intent or consequences. England's suspension of gold payments on September 21, 1931, was designed in furtherance of these ends, and not to raise the internal price level. Another major purpose of England's suspension of gold payments was to experiment with "managed currency," a policy of not attempting to anchor the currency to a fixed gold price, but to allow the currency to seek its natural level in the foreign exchange markets, protected against sharp and sudden fluctuation only by the operations of the Equalization Fund (q. v.).

Strictly speaking, therefore, the mere suspension of gold payments without other changes from customary monetary practice, is not, ipso facto, an inflationary step. It may or may not lead to inflation; it may or may not lead, after a period of trial and de facto stabilization, to a revaluation of the monetary unit at a new, but lower, gold conversion rate.

Since the great wave of national gold suspensions of 1931-32, due to the break-down of the workings of the traditional gold standard, much has been written about "managed currency," controlled inflation, counter-inflation, and deflation. The purpose of Governments was not to destroy the value of currencies to the detriment of the creditor class, but rather to shut off the forces of previous defalcation, and launch a new up-swing out of knowledge that pressures working for deflation, and chiefly the demand for liquidity and gold hoarding, were removed. Experience with managed currencies is still young, and its final history is not written. Proponents of "managed currency," however, claim success for its operation, e. g., in England and Sweden.

Like suspension of gold payments, devaluation does not insure a price rise. Devaluation is the statutory adoption of a new monetary unit of less metallic weight (and value) than that which preceded it. France, Belgium, and Italy are examples of countries which devalued their units in the years 1924-28 by from 75 per cent. to 80 per cent., after being off gold a number of years. The inflation in these countries occurred previous to devaluation. Actual devaluation was intended to stabilize prices at the higher levels attained. Devaluation provides new pars in foreign exchange; affords the Government an opportunity to capture the gold profit; and provides a basis for future credit expansion. But it stops the antecedent monetary inflation.

The promptest and surest method of achieving inflation, whether by voluntary intent, or involuntarily through inability to meet obligations, is by the issue of fiat, or inconvertible, paper money. Issuance of inconvertible paper is equivalent to a note forged by a government against its people. It is an injection of additional claims for goods or services of society without increasing the supplies of goods and services commensurately. Since there are no reserves to liquidate the added purchasing power prices rise, and the real income of the people declines. The creditor classes, owning claims to fixed sums of money, constantly declining in purchasing power, are impoverished or ruined. If the emissions are limitless or uncontrolled, it is possible to render the currency worthless, or practically so. The continental currency of our pre-constitutional Government, the inflation in France in the years 1790-96, and the German inflation of 1920-24 are the frequently cited examples of paper money inflation that went to the extreme end of catastrophe. Out Civil War greenback history furnishes an example of a paper money inflation that was limited and controlled.

For Civil War inflation, see under Greenbacks.

Also see Gold Standard, and Managed Currency.

Continental Currency Inflation.—The Revolutionary War had been financed largely by the printing of "Continental dollars," on the authorization of the Continental

Congress with the "faith of the Continent" as the only backing. The Congress then had no power to tax. The final result of this inflation is best summed up in the old saying—"not worth a Continental"—which has come down to even recent years as an expression of worthlessness.

One of the early histories tells the story in these graphic words:

"During the summer of 1780 this wretched Continental currency fell into contempt. As Washington said, it took a wagon load of money to buy a wagon load of provisions. At the end of the year 1778, the paper dollar was worth 16 cents in the northern states and 12 cents in the south. Early in 1780 its value had fallen to two cents and before the end of the year it took ten paper dollars to make a cent.

"In October, Indian corn sold wholesale in Boston for $150 a bushel, butter was $12 a pound, tea $90, sugar $10, beef $8, coffee $12, and a barrel of flour cost $1,575. Samuel Adams paid $2,000 for a hat and a suit of clothes. The money soon ceased to circulate, debts could not be collected, and there was a general prostration of credit."

French Assignat Inflation.—The French assignats which were issued between 1790 and 1796 form an outstanding example of deliberate inflation. The French Revolutionary government was confronted with the problem of both raising revenue and overcoming a condition of business depression. In response to the demands of the inflationists, the Constituent Assembly in April, 1790, authorized the issuance of assignats to the amount of four hundred million livres, to be legal tender and to bear interest at three per cent. The currency was to be secured by church lands recently seized.

At the beginning the effect was to relieve the Treasury of some of its burdens and to stimulate trade. As soon as the assignats began to circulate, however, they depreciated to the extent of about five per cent. The four hundred millions of paper were soon exhausted, and there was an immediate agitation for the issuance of additional currency. It was even claimed that the first issue had been a success. Mirabeau, a leading inflationist of the day, advocated that currency be issued equal to the amount of the whole national debt and insisted that such action would bring prosperity to the nation. The Assembly in September, 1790, by a vote of 508 to 423 approved the issuance of assignats up to a total of one billion two hundred million livres. This issue bore no interest and was payable to bearer but provided that as fast as the assignats were paid in for land they should be burned.

In the latter stages of the issuance of assignats the printing presses were run at the will of the executive authority, blanket authorization being given for the issuance of such amounts as might be needed. Within a year the discount on assignats was from 18 to 20 per cent., and within two years it amounted to 44 per cent. About that time there was a temporary rise in their value but in 1795 a rapid depreciation commenced. By February, 1796, it required 288 paper francs to equal one gold franc. Prices of various necessities soared, that of sugar rising 69 times and soap 44 times. Finally the populace joined in a public burning of the machinery with which the assignats had been made.

In October, 1795, a new government was established, the Directory. It tried to restore order in February, 1796, by issuing a new kind of paper money, called mandats, and secured only by choice public lands. One mandat was made worth thirty assignats. The mandats immediately depreciated to 30 per cent. of face value, then fell to 15 per cent., finally to 5 per cent. On July 16, 1796, the inevitable blow fell; the Directory decreed that all paper could be accepted at its real value, which meant at nothing. The people ceased even to compute the depreciation after that. When Bonaparte took the consulship the largest loan available in the land would not meet the government's expenses for a single day.

Unable to do profitable business in such a rapidly changing money, the market women of Paris marched on the Assembly and made an appeal famous among economists, that "laws should be passed making paper as good as gold." The Assembly tried to in every way possible. In April, 1793, a forced loan of a billion livres was levied upon the rich. In July that year the estates of the nobles were confiscated, and these lands, estimated at three billion livres, were placed also behind the paper money to make it more valuable.

In 1793 six years in prison was made the penalty for selling gold at more than its nominal value in paper. Six months later selling assignats at less than face value was made worth twenty years in prison. Two years later the guillotine was provided for any Frenchman who made investments in a foreign country.

Napoleon Bonaparte saw enough of inflation in the terrible years 1790-96 to convince him of its fallacious and dangerous nature. When he took the consulship conditions were appalling. The government was bankrupt, the troops were unpaid and further collection of taxes appeared impossible. Nevertheless, when asked at his first Cabinet meeting what he intended to do, Napoleon replied: "I will pay cash or nothing!" And he carried out that promise to the letter. "While I live," he declared, when he was hard pressed on another occasion, "I will never resort to irredeemable paper."

German Post-War Inflation.—Like France, Germany was involved in budget difficulties after World War I. Its national expenditures had increased five-fold during the War period and its national debt six-fold. The paper money in circulation had increased from less than three billion marks at the beginning of the War to 29 billion at the end of November, 1918. Wholesale prices in Germany slightly more than doubled during the War period. In view of the large expansion of currency, the advance in prices up to the time of the Armistice was moderate.

The German government borrowed from the Reichsbank during the War by the process of discounting Treasury bills. This was done to an increased extent as it became necessary to meet deficits in the post-war period. By the time the orgy of inflation reached its height toward the end of 1923, the government Treasury bills which were held by the Reichsbank totaled nearly 200 quintillion marks.

What happened during 1922 and 1923 was unlike anything that had ever occurred in the world's history. Paper marks depreciated more rapidly than the Continental currency of the United States in Revolutionary War days or the assignats of France, also in the latter part of the eighteenth century. The expenditures of the German government increased from 145 billion marks for the year ending March 31, 1921, to more than eight trillion marks two years later and to 49 quadrillion marks the next year. It was impossible to keep up with expenditures by levying more taxes. Currency in circulation, which amounted to 252 billion marks in August, 1922, increased to two trillion marks in January, 1923, and to 28 quadrillion marks in September, 1923, and

finally reached a total of 497 quintillion marks at the end of 1923.

By November 20, 1923, one gold mark was regarded as equal to one billion paper marks. New rentenbank notes which were issued at about that time as an intermediate step toward stabilization were exchanged at the rate of one for one billion paper marks. Subsequently, when the Reichsbank was reorganized in October, 1924, it issued new gold reichsmarks, one of which was equivalent to one trillion old paper marks.

During the inflationary period the gold value of the mark as quoted in foreign exchange dropped from an original par of 23.82 cents to about one-half cent in December, 1921, one one-hundredth of a cent in December, 1922, and twenty-three trillionths of a cent in December, 1923.

The business of gathering together and distributing capital in Germany was completely demoralized by the inflation. No one wanted to keep money in the banks. In 1922 all savings in Germany amounted to only 3,000,000,000 gold marks, against 20,000,000,000 reported by the savings banks alone two years earlier. Speculation was rampant, and it resulted in overdevelopment in some fields, underdevelopment in others. How much of this capital was remunerative may be gathered from the fact that dividend payments in 1922, measured in their gold value, were only one-fiftieth of what they were before the war.

Russian Post-War Inflation.—Russia was plunged into inflation by efforts to finance governmental deficits through the issuance of fiat money. Early in World War I, the Russian Treasury was allowed to discount its short-term obligations at the State bank to any extent desired, previous restrictions being removed. The currency was on an inconvertible paper basis. As early as 1916 there was only paper money in circulation. The government obtained enormous amounts from the bank. Between January 1, 1917, and January 1, 1923, the quantity of money in circulation increased two hundred thousand times while prices increased ten million times. The depreciation was more rapid than the rate of issuance of currency. A new Soviet State bank issued notes to meet deficits of the Treasury during 1922 and 1923. Finally in 1924 a new ruble was issued in exchange for fifty billion of the old depreciated rubles.

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INGOT

A bar of metal cast from a mold, such as gold, copper, tin, lead, zinc, etc.

INHERITANCE

In popular usage, inheritance refers to any property obtained through devise or bequest (by will), or through descent and distribution (by laws of intestacy). In the technical sense, inheritance at common law referred to the estate in real property descending to heirs. In New York, all distinctions in intestacy between persons taking as heirs or heirs at law and next of kin were abolished August 31, 1930, and the descent or distribution of real property or personal property now applies to a uniform class of takers called distributees, including a surviving spouse. (See Descent, Laws of; Testator; Will.)

INHERITANCE TAXES

Taxes imposed by practically every state in the United States upon the right to receive property by inheritance or succession. They are collected but once—at the time of the transfer of the inheritance to the beneficiaries—being unlike other taxes, which are collected periodically.

Inheritance taxes are to be distinguished from the Federal estate taxes (q. v.), which are imposed upon the privilege of transferring property at death. Inheritance taxes are of two kinds, direct and collateral. The first applies to property directly descending to the next of kin, e. g., son, daughter, father, mother. The administration and rate of the tax differs among the different jurisdictions. Most ineritance taxes are progressive, the percentage increasing with the size of the estate or individual shares, and with the remoteness of kinship. In England inheritance taxes are called "death duties."

INLAND BILL

As defined by the Negotiable Instruments Law, a bill of exchange which is, or on its face purports to be, both drawn and payable within the state (Sec. 129, Uniform Negotiable Instruments Law; Sec. 213 New York Negotiable Instruments Law). Any other bill is a foreign bill. The term is frequently used, however, as synonymous with domestic bill. A foreign bill must be protested in case of dishonor, but an inland bill need not (Sec. 152, Uniform Negotiable Instruments Law; Sec. 260, New York Negotiable Instruments Law).

INSCRIBED STOCK

Stocks or bonds which in English practice exclusively, are registered in the name of the holder in the books of the issuing organization and for which no actual certificates (in the American sense) are issued. The owner of inscribed stocks, besides being registered on the company's books as owning a certain number of shares, is given a memorandum of ownership. This memorandum does not prove title nor constitute ownership, and is non-negotiable. It cannot be sold or assigned as a stock certificate in America. In order to transfer inscribed stock, the holder must personally attend to the transfer by presenting his memorandum of ownership and signing the inscribed stock register. The original certificate of ownership is then destroyed and a new one issued in its place in the name of the transferee or buyer.

Inscribed stock differs from registered stock in that in the former, no actual certificates of ownership are issued, the memorandum of ownership not constituting proof of title.

As a rule, only British Government or municipal loans are issued as inscribed stock, British Consols (q. v.) being an example. Most of the securities upon the London Stock Exchange are in "registered" rather than "inscribed" form. Dividends or interest upon inscribed stock are remitted by check.

INSIDER

An expression to denote a person who, because of his employment or business connections, has intimate knowledge of the financial affairs of a concern before such information is published and is available to the

public. He is therefore in a peculiarly advantageous position for capitalizing this information by speculating, i. e., making commitments in the securities of the concern in accordance with this knowledge, in advance of the public.

Under Sec. 16 of the Securities Exchange Act of 1934, every person who is directly or indirectly the beneficial owner of more than 10% of any class of any equity security (except exempted securities) registered on a national securities exchange, or who is a director or officer, is required to file at the time of registration of the security or within ten days after becoming such owner, director or officer, a statement with the exchange and with the Securities and Exchange Commission of the amount of all equity securities of the issuing company of which he is the owner. Thereafter, within ten days after the close of each calendar month, he is required to file with the exchange and the Commission a statement, if there has been any change in ownership during the month, indicating his ownership at the close of the calendar month and such changes in his ownership as have occurred during the month.

The Act goes on to provide that for the purpose of preventing the unfair use of information which may have been obtained by such beneficial owner, director or officer, by reason of his relationship to the issuer, any profit realized by him from any purchase and sale, or any sale and purchase, of any equity security of the issuing company (other than an exempted security) within any period of less than 6 months shall insure to and be recoverable by the issuing company, unless such security was acquired in good faith in connection with a debt previously contracted. This recovery shall be irrespective of any intention on the part of such beneficial owner, director, or officer in entering into the transaction of holding the security purchased or of not repurchasing the security sold for a period exceeding 6 months.

Suit to recover such profit may be instituted at law or in equity in any court of competent jurisdiction by the issuing company, or by the owner of any security of the issuer in the name and in behalf of the issuing company if the latter fails or refuses to bring suit within 60 days after request or fails diligently to prosecute the suit thereafter. However, no such suit shall be brought more than 2 years after the date such profit was realized.

In addition, Sec. 16 of the Securities Exchange Act of 1934, provides that it shall be unlawful for any such beneficial owner, director or officer either directly or indirectly to sell any equity security of the issuing company (other than an exempted security), if the person selling the security or his principal (1) does not own the security sold, or (2) if owning the security, does not deliver it against such sale within 20 days thereafter, or does not within 5 days after such sale, deposit it in the mails or other usual channels of transportation. This provision does not apply in the case of inability to make delivery or deposit within the deadline despite exercise of good faith, or undue inconvenience or expense involved. (See Securities Exchange Act of 1934.)

INSOLVENCY

The condition of a debtor unable to pay debts. Insolvency in the bankruptcy sense means the excess of liabilities over assets. As defined by the National Bankruptcy Act (Sec. 1), "a person shall be deemed insolvent within the provisions of this Act whenever the aggregate of his property, exclusive of any property which he may have conveyed, transferred, concealed, removed, or permitted to be concealed or removed, with intent to defraud, hinder or delay his creditors, shall not, at a fair valuation, be sufficient in amount to pay his debts."

Insolvency in the sense which has been defined by equity courts means the inability of a person to meet debts as they mature. Thus, a person whose assets might not cover all liabilities may nevertheless be solvent in the equity sense because of ability to marshal assets to meet debts as they mature. Both types of insolvency are entitled to relief afforded debtors by the National Bankruptcy Act (q. v.).

Insolvency is to be distinguished from bankruptcy in that the former is an accounting term independent of statute, whereas the latter is the legal term, indicating that the debtor is subject, voluntarily or involuntarily, to the provisions of the National Bankruptcy Act. (See Bankruptcy, Failures.)

INSOLVENT

An individual or concern that is unable to meet debts as they mature, or whose liabilities exceed assets; the adjective applied to such a financial condition. (See Insolvency.)

INSTALMENT

A part payment on the purchase price of an article, which is sold with the understanding that the remaining payments shall be due on specified future dates. The word is especially used in connection with the purchase of consumer goods where a certain percentage is paid down, the balance being payable in a number of payments following at stipulated intervals, until the full amount is paid. Such payments are called instalments.

The term is also applied to a part payment on a debt, e. g., a note, or income tax assessment.

Instalment credit controls exercised by the Board of Governors of the Federal Reserve System under Regulation W (q. v.), pursuant to Executive Order, ceased to be operative after November 1, 1947, in accordance with resolution of Congress approved August 8, 1947. Instalment terms prescribed by Regulation W generally called for maturities of not more than 15 months and down payments of at least one-third.

INSTALMENT BONDS

See Serial Bonds.

INSTALMENT SALES

Sales of goods to consumers on a definite plan of payments, involving a certain cash payment with balance payable in instalments periodically until the debt is extinguished. Prior to 1922, instalment sales were confined to comparatively few retail businesses, and usually those distributing cheaper grades of merchandise to wage-earning classes. The plan gained impetus after 1922, when it recorded its initial success in the automobile trade. In recent years, automobile instalment credit has continued to be the largest line, followed by instalment credit extended by furniture stores,department stores and mail order houses, jewelry stores, and household appliance stores.

Usually the instalment seller is protected by some form of lien (modified chattel mortgage) upon the merchandise by which title remains vested in the seller until the buyer completes the final payment. Evidence of title and terms of the contract are signed by both par-

ties. Default entitles the seller to repossession. Instalment selling is a way of stimulating business, and involves the extension of consumers' credit which in recent years has become increasingly popular with commercial banks. At the close of 1929, consumer instalment loans at commercial banks, totaled only $43 million, and by 1933 had dropped to $29 million. By the close of 1937, however, the total had expanded to $258 million, and the real growth has occurred in the post-War period, with total loans of $1.8 billion in 1946 and $2.5 billion in 1947, and total outstanding December 31, 1947 of $1.4 billion. This expansion by commercial banks has exceeded that of other lenders; small loan companies, for example, extended $1.3 billion of loans in 1946 and $1.5 billion in 1947 and had outstanding loans of $712 million at the close of 1947.

At the close of 1947, total instalment credit reached $6,156 million, compared with $3,976 million at the close of 1946, and $1,595 million at the close of 1933, and almost double the total of $3,167 million reported at the close of 1929. Most of the expansion at commercial banks, whose expansion in this type of loans has been considerably greater than at other lenders, has resulted from additional loans for repair and modernization of housing, and for purchases of automobiles and other durable consumers' goods.

Prior to November 1, 1947, Regulation W of the Board of Governors of the Federal Reserve System regulated the expansion of instalment loans on automobiles and other consumers' goods, and prescribed minimum down-payment and repayment period terms. As of November 1, 1947, in accordance with Congressional Resolution, Regulation W ceased to be effective.

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INSTITUTIONAL SECURITIES CORPORATION

A New York mortgage loan company, organized in July, 1933 by the mutual savings banks of New York State in order to create a market for mortgages, mortgage loans and obligations secured by mortgages held by the mutual savings banks. The company also does mortgage servicing, and in 1942, also entered the field of financing, building and management of defense housing and the investing of funds in Federal Housing Administration insured mortgages. In 1946, the corporation also was authorized to invest in guaranteed veterans' loans.

Sources of Funds.--Capital of $10,000,000 ($100 par value) was originally subscribed by the mutual savings banks of New York State in proportion to their deposits, payable in cash or mortgages, half of which was called for payment. In 1947, the par value was reduced to $50 to reflect the paid-in capital. In addition to its capital stock, the corporation's principal source of funds is the issuance of unsecured debentures, authorized to an aggregate principal amount of 10 times paid-in capital. As of December 31, 1947, a total of $20,000,000 in debentures was outstanding, or 4 times capital, consisting of four issues of $5,000,000 each, with 10-year maturities and carrying 3% interest rate. These debentures were all sold to the mutual savings banks of New York State.

Financial Condition.--A fully invested position is maintained, inventory of bonds and mortgages as of December 31, 1947 totaling $22 million, or 66% of total assets, and first mortgage bonds of Knickerbocker Village, Inc., a housing development, totaling another $3.6 million. Cash (including balances in agency accounts) totaled $462,000, and Government bonds, $6.1 million. In addition to the $20 million in debentures, the corporation also had outstanding a total of $6,050,000 in loans payable, or total borrowed funds of 4.4 times the capital funds of $6,098,000 (capital of $5 million and surplus and undivided profits of $1,098,000). Mortgage commitments at the close of 1947 totaled $17,711,000, compared with $3,100,000 at the close of 1946.

The Instituional Securities Corporation was one of the two institutions organized by New York State savings banks in 1933 to impart liquidity as needed to mortgage holdings, the other institution being the Savings Banks Trust Company (q.v.). (See Savings Banks.)

INSTRUMENT

A general term to denote any kind of document in writing by which some right is conferred or contract is expressed. Practically all documents used in finance, e. g., check, draft, note, bond, coupon, stock certificate, bill of lading, trust deed, trust receipt, etc., are instruments. (See Credit Instruments, Negotiable Instruments.

INSTRUMENTALITY

Literally, an agency. Corporations organized under act of Congress, if such corporations are instrumentalities of the United States, and if under such act, Congress has specifically provided for such exemption, are exempt from Federal income taxes. Although obligations of Government credit agencies, such as the Intermediate Credit Banks, are ruled to be instrumentalities of the United States, that does not make them liabilities of U. S. Government unless so provided by legislation. In holding company finance, courts have applied the "instrumentality rule" to hold parent companies liable for debts of subsidiaries which are merely instrumentalities of the parent companies.

INSUFFICIENT FUNDS

A term used in banking practice in returning checks not payable because the drawer has insufficient funds. When a check is presented for collection through the clearing house or otherwise for which the drawer has insufficient funds to meet it, the drawee bank returns it to the presenting bank for credit (by messenger or otherwise), with a memorandum slip attached on which the words "Insufficient Funds," are printed.

Where doubt exists, the paying teller examines the account of the drawer to see that sufficient funds are on hand, when a check is presented for payment.

INSULAR BONDS

Bonds issued by Hawaii, Puerto Rico and the Philippine Islands, known also as territorial bonds. Other insular possessions and dependencies of the United States have no bonded debt outstanding.

Philippine Islands: Pursuant to the Tydings-McDuffie Act of 1934, as amended in 1939; a supplementary sinking fund was created for retirement of Philippine bonds issued prior to adoption of the Act, consisting of proceeds from the Philippine tax on exports to the United States. These proceeds were turned over to the U. S. Treasury in trust, to pay future interest and principal requirements on bonds of the Philippines, its provinces, municipalities and instrumentalities issued prior to May 1, 1934 which will remain outstanding after July 4, 1946.

Total net bonded debt June 30, 1941 was $36,011,069, of which $24,623,199 was National Government debt, consisting of 11 issues. The Tydings-McDuffie Act specifically provides that there shall be no obligation on the part of the United States to meet the interest or principal of bonds or other obligations of the Philippine Commonwealth, provincial or municipal governments issued thereafter during the continuance of the U. S. Government in the Philippines. Philippine bonds are exempt from all U. S. taxes, except estate, inheritance and gift taxes, regardless of whether issued prior to or after enactment of the Tydings-McDuffie Act, but whether such status will continue now that the U. S. has completely withdrawn from the Philippines has not been officially determined.

Hawaii: The Organic Act for the Territory of Hawaii limits the total bonded indebtedness to 10% of the assessed value of property in the Territory and the amount of indebtedness to be incurred in any one year to 1% of such assessed values. As of June 30, 1945, net bonded debt, after deduction of sinking funds, totaled $12,287,083, consisting of some 27 issues, mostly for small outstanding amounts. Net assessed valuation of property in Hawaii January 1, 1945 was $345,312,499, 10% limitation on debt therefore amounting to $34,531,250, or well above the net bonded debt outstanding. The bonds are exempt from all U. S. taxes except estate, inheritance and gift taxes.

None of the insular bonds are direct obligations of the United States, but in as much as the bonds were issued by authority of the American Congress, and under the supervision of the U. S. Treasury, and since in the opinion of the Attorney General of the U. S., the United States could compel payment in the event of default, these insular bonds are generally considered to be indirect obligations of the United States. In approving in 1921 the issue of the Philippine Islands 5 1/2s, due 1941, the Attorney General of the United States wrote in part as follows:

"This issue and sale of bonds is authorized explicitly by the National Power, and while in the strict and legal sense the faith of the United States of America is not pledged as a guaranty for the payment of the loan or for the due use of the proceeds or the observance of the sinking fund requirements, the entire transaction is to be negotiated under the auspices of the United States of America and by its recognition and aid. There can be no doubt, therefore, that the National Power will take the necessary steps in all contingencies to protect the purchasers in good faith of these securities." (This opinion applies to Philippine bonds issued prior to enactment of the Tydings-McDuffie Act on March 24, 1934.)

Puerto Rico: The Organic Act for Puerto Rico provides that no public indebtedness of Puerto Rico and the municipalities of San Juan, Ponce and Mayaguez shall be allowed in excess of 10% of the aggregate tax valuation of its property, and no public indebtedness of any other subdivision or municipality of Puerto Rico shall thereafter be allowed in excess of 5% of the aggregate tax valuation of the property in any such subdivision or municipality. By amendment approved in 1935, bonds or other obligations payable solely from revenues derived from public improvements shall not be considered public indebtedness within the meaning of this debt limitation. Total assessed value of real and personal property June 30, 1945 was $368,369,000, of which $281,207,000 was real property. As of July 1, 1945, Puerto Rican bonds (Insular issues, Irrigation South Coast and Utilization of Water Resources, and Land Authority issues) totalled $13,064,000, of which $940,000 was to be called July 1, 1946. Outstanding were some 24 issues, mostly for small amounts. The electric revenue bonds of the Puerto Rican Water Resources Authority, which is a government instrumentality of the People of Puerto Rico but not an obligation of Puerto Rico, being payable solely from electric revenues of the Authority, were outstanding June 30, 1946 in the amount of $25,000,000, consisting of 2 1/2s, due serially to 1969, and 1.90s, due serially to 1973.

The Puerto Rican legislature has passed a "tax holiday" which offers to new industries blanket, exceptions from income, property and municipal taxes, as well as from excise levies on machinery and raw materials. The holiday is to last until June 30, 1959, and during the subsequent three years, graduated low rates go into effect.

Puerto Rican bonds are exempt from U. S. income taxes, but subject to estate, inheritance and gift taxes. In December, 1942, Puerto Rican bonds became subject to Island income tax, but this was ruled not to apply to bonds held by holders residing outside Puerto Rico.

Obligation of the United States in regard to Puerto Rican bonds is considered to be covered by the 1921 opinion of the Attorney General cited above.

INSURANCE

Elimination of or protection against risks regular enough to become amenable to actuarial calculation; voidance or reduction of losses occurring through various misfortunes, e. g., death, fire, accident, tornado, shipwreck, etc., through the co-operative sharing of such losses, i. e., through contributions made to a single fund by a large number of persons for the purpose of indemnifying losses systained by such of the group as may be affected.

Whether insurance is provided by established "old line" companies which compute risks scientifically through the aid of experience tables, or by mutual associations, or by groups of individuals, its function is always to ease the bearing of calculable risks. The essential principle of insurance is co-operation or pooling of losses that may occur to a large group of persons, but which actually through the law of averages, will happen only to a small number in such group. For instance, it may be known that three out of every 1,000 houses in a given locality, will burn down each year; but it is not known which of those three houses will be destroyed. The loss to the owners of the three houses would be

crushing, but if distributed among a thousand owners, it becomes entirely bearable.

Insurance does not prevent losses; rather it substitutes a small certain loss for a possible or contingent large loss. The insured is indemnified for the amount of the loss, or for the insured amount, or for the face of his policy, in return for payment of periodic premiums. It is thus the reverse of gambling, which involves the assumption of heavy and unnecessary risks. Insurance seeks to eliminate chance while gambling seeks to create chance. Thus, paying four dollars a year as protection against the contingent loss by fire of a house worth $3,000 is insurance; not doing so, by assuming the risk of loss of $3,000, is gambling.

The principal kinds of insurance are the following: Life--Ordinary life, participating and non-participating; group life; industrial; annuities. Fire and marine--Fire; entended coverage; ocean marine, war risk and excluding war risk; motor vehicle; earthquake; inland navigation, etc.; tornado and windstorm; sprinkler leakage; riot and civil commotion; explosion; rain; hail; flood; aircraft. Casualty and surety--accident; health; automobile liability; other liability; workmen's compensation; fidelity; surety; plate glass; burglary and theft; boiler and machinery; automobile property damage; other property damage and collision; automobile collision. Insurance on property greatly exceeds life insurance. Based on aggregate insurance in force, fire and marine heads the list, followed in order by life and casualty insurance.

Fire insurance is written by stock companies,mutual companies, or by associations of individual insurers, e. g., Lloyd's in London. A particular feature of the American system of chartering insurance companies is the segregation of companies into life, fire and casualty companies, and the absence of multiple line companies authorized to write all kinds of insurance, as in the case of European companies. Instead, American operation under the group or "fleet" system has been characteristic, with nearly 95% of total fire and marine business, and 70% of casualty business, among stock companies, being handled by groups or fleets. The U. S. Supreme Court decision, however, that insurance is commerce may lead to fundamental changes or outright abandonment of group operation, the latter decision having been taken in 1948 by the Home Group of fire and casualty companies.

Life Insurance.—These companies are also of stock and mutual form, and are usually classified according to the plan of premium payments into (1) "old line" level premium, and (2) assessment (mutual and fraternal companies). The "old line" companies are the most satisfactory since premiums, reserves, and surplus are computed scientifically in accordance with the American mortality experience table, an assumed rate of earnings on investments, and a fixed rate of expenses. They are regulated, moreover, especially in the matter of investment media, by the various state insurance departments.

Classified by method of premium payment, level premium, or "old line" life insurance is best known by its four most popular forms: (1) ordinary life plan, in which premium payments at a fixed sum continue throughout life (the policy automatically becoming an endowment at age 96); (2) limited payment plan, in which the number of premiums is limited to ten, fifteen, twenty or more years when the policy becomes paid up; and (3) term plan, in which insurance is provided for a term of years renewable for another term at an advanced rate depending upon the age of the insured, with no values available to the insured himself but carrying the lowest premium charge.

Endowment is a combination of insurance and compulsory savings in which the policy matures in a certain number of years after it is issued, so that if the policy-holder survives, he receives the face of the policy at that time. An endowment policy is a form of savings which compares favorably with a savings bank account with the compulsory feature added.

All mutual, legal reserve insurance companies provide for a participation in savings by all policy-holders. In this way the cost of insurance to the insured is progressively lower as the policy increases in age. Legal reserve companies organized as stock companies write life insurance on the participating and non-participating basis, mainly the latter, but their initial premiums to the insured are lower than those of the mutual companies. If the premium payments of a company plus its income on investments exceed death claims and expenses, a surplus arises. This may be due to the circumstance that the average insured live longer than was assumed, because the investment return is temporarily or permanently higher than postulated, or because expenses are kept down below the precalculated rate. Out of such surplus, dividends are paid to policy-holders based upon the amount of the annual premium and the kind of insurance. Such dividends may usually be taken in a number of alternative ways: (1) cash payment, (2) applied in reduction of premium, (3) to purchase paid up insurance additions payable at the maturity of the policy, (4) to accelerate the payment of the total premiums due, i. e., to hasten the time when the policy will be considered as paid up, or (5) credit to a premium deposit fund.

When a policy matures there are usually several optional methods of settlement: (1) payment in cash in one sum, (2) payment of interest on the amount of the policy, at the end of each year during the lifetime of the payee, and the payment of the principal sum with any accrued and unpaid interest thereon, on the death of the payee, to his or her executors, administrators or assigns, (3) payment of a specified number of equal annual instalments, whether the payee lives or dies (the first instalment payable immediately), the amount of each instalment to be in conformity with the company's prepared tables, (4) payment of equal annual instalments (the first instalment payable immediately), for ten or twenty years certain, and as many years thereafter as the payee shall live, such selected ten or twenty instalments certain being paid whether the payee lives or dies, the amount of each instalment to be in conformity with the company's prepared tables, and (5) payment of an annuity during the lifetime of the annuitant (first payment payable immediately), the amount of each payment to be in conformity with the company's prepared tables.

The motives for carrying life insurance may be as follows: (1) to provide funds to pay debts and cover funeral expenses, (2) to provide an estate for the benefit of wife and children, the income of which will be sufficient to provide for their material wants (the ideal situation); (3) to provide a monthly income for the wife and children; (4) insurance for old age (endowment insurance); (5) to provide for education of children; (6) protection for business associates (business insurance); (7) to provide bequests; (8) to pay inheritance taxes on personal and real estate; (9) to pay mortgage on home of insured; (10) to provide an income during periods of sickness or disability (disability insurance); and (11) to

provide for credit expansion.

Fire Insurance.--Straight fire insurance is the largest line written by fire companies. Premium volume from fire insurance is more than double the volume of motor vehicle and extended coverage combined, the next two largest lines. Most fire insurance policies are written for terms of three to five years, a practice which tends to result in lack of adequate insurance coverage for the insured in periods of rising property values, and the reverse when values decline. Another characteristic of this practice is its influence on underwriting profits of fire companies. In accordance with the law, all premiums paid in advance must be set aside on the books as a liability, the unearned premiums account, and may be credited to underwriting account only as fully earned. The expenses, however, of writing the business must be met immediately, and losses on the increased volume of outstanding insured risks rise normally. Both the larger expenses and losses are charged to current underwriting account, whose credit, earned premiums, still does not reflect the larger premium volume which will be fully earned in the future. Thus, the paradox arises that normally underwriting losses are reported in periods of rising premiums written. To adjust for this distortion, the statistical practice has developed of adjusting the reported or "statutory" underwriting results by adding to or subtracting therefrom the equity in unearned premiums reserve fluctuation, which equity is usually figured conservatively as a flat 40%. (See Insurance Company Statements.)

Casualty and Surety Insurance.--The casualty and surety companies as a group are the youngest branch of the industry. During the late '20s, some of these companies added to their writings the guarantee of real estate mortgages and bonds, a type of business which caused severe underwriting losses in the ensuing 1929-1932 depression and necessitated financial aid from the Reconstruction Finance Corporation for various companies. The depression also witnessed heavy underwriting losses in workmen's compensation, surety and automobile liability lines. As recovery developed, however, the casualty companies emerged with a sounder rate structure, eliminated unprofitable lines, and strengthened financial condition. A characteristic of casualty companies, as compared with fire companies, is their conservatism in investing assets, most casualty companies maintaining a large proportion of their assets in cash and Government securities, with average of 60% of their assets invested in bonds and only 20% in stocks. This liquidity is also induced by the short term nature of insured risks, the largest casualty line being automobile liability, followed by accident and health.

A current characteristic of both fire and casualty companies in recent years has been the great expansion in premium volume, which for many companies has doubled from pre-War levels. Because of this greater exposure to insured risks, and the necessity for setting aside unearned premium reserves on new business written, most companies need additional capital funds in order to bring down to safer levels the ratio of premium volume to capital funds.

Investment Characteristics of Insurance Stocks.--Insurance stocks are popular investment media with conservative long term investors interested in steady current dividends and high growth factor. Most companies keep dividend payments to stockholders within the income from their investments alone, which assures stability of dividends, and in addition results in "ploughing back" to capital funds all other gains--underwriting profits, capital gains on turnover of securities, book appreciation on retained securities, etc. Normally, over a period of years, this ploughing back process results in good growth in surplus, with eventual capitalization of surplus through stock dividends, and in growth of equity values (so-called "liquidating" values) for the stocks.

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INSURANCE COMPANY INVESTMENTS

See Life Insurance Company Investments.

INSURANCE COMPANY STATEMENTS

Financial statements of insurance companies reflect the dual nature of their operations as underwriting and investing institutions.

In general, the largest underwriting and investing insurance companies as a group are the life insurance companies, reflecting both the large volume of new business and the long term nature of policy contracts, which involve the long term accumulation and investment of reserves. Underwriting operations of all types of companies are regulated in detail by the States, by the home state where the company is domiciled as well as by States in which the company is admitted to do business, since relations with policyholders are vested with a high degree of public interest. Investing activities of life insurance companies are also inhibited in various States, particularly in New York State, where as the result of the Armstrong investigation of life insurance companies in 1906, the Insurance Law prohibits domestic companies from investing in or lending upon any stocks or shares of any corporation or institution other than preferred or guaranteed stocks, or life insurance company stock acquired for the purpose of mutualization; and also empowers the Superintendent of Insurance to refuse a new or renewal license to any non-domiciled company if he finds that its investments do not comply in substance with the investment requirements and limi-

tations imposed upon domestic companies. Fire and casualty companies, however, have no statutory inhibition against investments in common stocks, and have built up a variety of degrees of diversification in bonds and stocks, with casualty companies in particular maintaining a higher than average position in cash, Government and other high grade bonds.

The majority of the large life insurance companies are mutualized, having no capital stock and being owned by policyholders. The stock form of organization is most general in the fire and casualty field, although the mutual companies have grown substantially.

Income accounts for life insurance companies (Income and Disbursements, Gain and Loss Exhibit) are more reports of income, disposition of income, and reconciliation of suplus, rather than statements of true earnings for any particular period, for calculation of true earnings for a specified period would involve determination of a variety of hidden earnings inherent in outstanding policy contracts and not reflected in these statements. Among fire and casualty companies, income accounts (Underwriting Exhibit, Investment Exhibit) come closer to reflecting current earnings, except that the reported underwriting results (so-called "statutory" underwriting profit or loss, because the figures are reported in the legal form prescribed) are distorted by fluctuations in the unearned premiums reserve and its influence on the earned premiums credit to underwriting account. In accordance with the law, all premiums paid in advance must be credited to the unearned premiums reserve, but the expenses of writing the business are charged immediately to underwriting account, and the underwriting account does not reflect the premiums until they are fully earned by the passage of time. Thus, in a period of rising premium volume, the underwriting account will often show a statutory loss. To adjust for this, the statistical device of applying a specified percentage of unearned premiums reserve fluctuation to the statutory underwriting results has been evolved, such percentage representing the equity in unearned premiums.

Another characteristic of insurance company statements is the use of so-called "Convention" values in carrying investments. The National Convention of Insurance Commissioners, which is now known as the National Association of Insurance Commissioners, first authorized the use of "Convention" values for the December 31, 1931 statements, permitting valuation of securities at June 30, 1931 prices as a means of bolstering the surplus reported by weaker companies. The practice of authorizing "Convention" values has continued for every year since, although the original motive and necessity have been changed. Statements for 1941 and years since have been authorized the use of market values for stocks and non-amortizable bonds as of December 1st each year, and amortized values for all other bonds. Most companies show surplus on both the Convention basis and actual market value basis.

In statistical analysis of fire and casualty insurance company stocks, the phrase "liquidating value" is customarily used to indicate equity value of the stock. This figure, however, is hardly indicative of true liquidating value, as it is merely based on reported policyholders' surplus at market value (capital stock and surplus), voluntary reserves, plus a percentage of equity in the unearned premiums reserve. Equity in unearned premiums is customarily calculated as a flat 40% for fire insurance stocks, which is conservatively low for most companies, and varying percentages, depending on the type of insurance, for casualty company stocks. Insurance analytical and reporting firms, such as the Alfred M. Best Company, have influenced standardization of statistical practices and methods in this field.

(See Insurance, Life Insurance Company Investments.)

INSURANCE DEPARTMENT

The department of a state which supervises the organization, management, and examination of insurance companies, title and mortgage companies, and so on, doing business or having a corporate existence in that state. In three states, e. g., New Jersey, the regulation of banking, insurance, mortgage and title companies, is combined in one department known as the Department of Banking and Insurance, headed by the Commissioner of Banking and Insurance. In other states, the head of the department is variously known as the Superintendent of Insurance, Commissioner of Insurance, Insurance Commissioner, Director of Insurance, etc.

INSURANCE TRUST

A trust which may be created by a life insurance policyholder which directs that the funds represented by such policies when they become a claim against the insurance company or companies shall be paid to the trustee of the insurance trust agreement and administered according to its terms rather than by direct payment to the estate or to the beneficiaries. Insurance trusts can be established through trust companies or the trust departments of such banks as are eligible to engage in trust business. Insurance trusts are classified as "unfunded" if the settlor transfers no fund to the trustee out of the income from which the expense of premiums on the policy may be met; or "funded" if he so does. Insurance trusts wherein the beneficiaries are relatives of the insured-settlor, are called "personal" insurance trusts; if the beneficiaries are connected with partnerships or corporations, "business" insurance trusts.

The principal purpose of an insurance trust is to prevent the impairment or loss of principal of insurance funds paid to beneficiaries through bad management, inexperience in making investments, deliberate swindling by stock promoters, and in other ways. Large sums of money are lost, particularly to women beneficiaries, through lack of experience in handling large sums, and the insurance trust is a device that may be used for the protection of dependents against their own misjudgment or mismanagement.

The insurance company often by means of settlement options gives the insured the choice for final settlement of the policy other than by lump sum payment, such settlement options being of three types: (1) holding the proceeds, and paying the interest to the beneficiary for life or for a stated number of years, with principal sum payable at the end of the period; (2) paying the proceeds, including interest earnings, in equal instalments for a stated number of years, at the end of which period the original principal will have been entirely distributed; and (3) paying the proceeds as a life income to the beneficiary, and in the event the beneficiary dies before the entire proceeds shall have been paid, paying the balance to some other named beneficiary until the entire amount has been distributed. These settlement options do not give rise to legal trusts, although the language "holding the proceeds in trust" is often loosely used in this connection, since the insurance company's liability is really contractual.

Particular advantages of the insurance trust are: (1) Protection of the widow, children and other dependents against the unwise use of large proceeds; (2) it is not necessary to probate the insurance trust; and (3) insurance payable to beneficiaries other than the executor or administrator of the estate of the insured is not subject to the debts of the insured (N. Y. Insurance Law, Sec. 55a). Until Sec. 811 (g) of the Internal Revenue Code was completely revised in 1942, there was also the advantage of some freedom from estate taxes on the estate of the insured (to the extent of the first $40,000 of the amount receivable by beneficiaries other than the executor or administrator). (See Trusts.)

INSURED BANK

A bank entitled to the benefits of Federal deposit insurance under the provisions of Section 12B of the Federal Act, as amended.

Banks eligible for deposit insurance under the present permanent deposit insurance law, which replaced the former temporary deposit insurance plan on August 31, 1935, are as follows:

1. All member banks of the Federal Reserve System, including national banks and state member banks.

2. Every state bank which is converted into a national bank or becomes a member of the Federal Reserve System.

3. Every actively operating bank which was not a member of the Federal Reserve System on June 30, 1935, but which was or thereafter became a member of the Temporary Federal Deposit Insurance Fund or of the Fund For Mutuals theretofore created, continued to be an insured bank without application or approval, except that any such non-member bank which did not file on or before August 23, 1935 (date of exactment of the Banking Act of 1935) a certified statement as of October 31, 1934 and make the required deposit insurance payments, ceased to be insured banks on August 31, 1935.

4. Any state non-member bank, upon application to and examination by the Corporation and approval by the Corporation's board of directors.

Before approving the application of any such state non-member bank, the Corporation's board of directors shall give consideration to the following factors: The financial history and condition of the bank, the adequacy of its capital structure, its future earnings prospects, the general character of its management, the convenience and needs of the community served by the bank, and whether or not its corporate powers are consistent with the purposes of the deposit insurance law. In addition to considering these factors, the Corporation's board of directors shall determine upon the basis of a thorough examination of the applying bank that its assets in excess of its capital requirements are adequate to enable it to meet all its liabilities to depositors and other creditors as shown by the bank's books.

5. Banks in Hawaii, Alaska, Puerto Rico and the Virgin Islands are eligible to apply for insurance.

As of June 30, 1947, the number of insured and non-insured banks and their deposits compared as follows:

Insured Banks:	Number	*Total Deposits
National banks	5,012	$77,146
State member banks	1,913	38,289
Non-member commercial banks	6,466	18,240
Mutual savings banks**	191	11,901
Totals	13,582	$145,576
Non-insured Banks:		
Non-member commercial banks	843	2,248
Mutual savings banks	342	5,541
Totals	1,185	$7,789
Grand Totals	14,767	$153,349

*In millions. Of total deposits of $145 billion reported by insured banks, $73 billion were estimated to be insured ($62 billion for commercial banks, $11 billion for mutual savings banks). Depositors numbered more than 80 million, over 96% of whom were fully protected by the maximum of $5,000 of insured deposits for each depositor.

**Including 3 State members of the Federal Reserve System.

Assets and liabilities of insured commercial banks in the United States and possessions as of June 30, 1947, excluding the three mutual savings banks which are State members of the Federal Reserve System, are shown on table on pages 311 and 312.

INTANGIBLES

In accounting terminology, intangibles include goodwill, franchises, patents, copyrights, trademarks, formulae, processes, etc. This classification is not a legal differentiation between tangible and intangible assets, as receivables, for example, are classified as current assets in accounting. Prevalent accounting practice is to write off intangible assets, either regularly by providing for depreciation and amortization, or in lump adjustments.

(See Goodwill.)

INTEGRATION

Under the Public Utility Holding Company Act of 1935, the Securities and Exchange Commission is directed to take action to limit system operation to companies which are integrated, both geographically and as to nature of operations.

Among industrial concerns, integration indicates the ownership of subsidiary companies or sources of supply and processing which enable a company to control a product from the raw material stage up to the finished product, thus obviating dependence upon outside sources.

INTERCHANGEABLE BONDS

First read Coupon Bonds (q.v.) and Registered Bonds (q.v.).

Bonds which may be converted from coupon or registered form (or vice versa) and back again to coupon (or registered) form. Most bonds which have once been converted from coupon to registered form cannot be changed back to coupon form. Registered bonds do not enjoy as ready a market or command as high a price as coupon bonds, and for this reason, the option of conversion is valuable.

INTERDISTRICT SETTLEMENT FUND

A gold certificates fund held by the United States Treasurer, for the account of and subject to the order of the Board of Governors of the Federal Reserve System, but belonging to the twelve Federal Reserve Banks, the purpose of which is to effect with as little delay and cost as possible the settlement of inter-Federal Reserve Bank transactions. The fund is a part of the machinery of the Federal Reserve Inter-District Collection System

All Insured Commercial Banks
(in thousands of dollars)
June 30, 1947

Assets.		
Loans and investments		$110,712,106
Loans (including overdrafts)	$33,258,041	
U. S. Government direct obligations	69,141,228	
Obligations guaranteed by U. S. Government	13,678	
Obligations of States and political subdivisions	4,827,879	
Other bonds, notes and debentures	3,169,582	
Corporate stocks (including Federal Reserve Bank stock)	301,698	
Reserves, cash and bank balances		32,199,046
Reserve with Federal Reserve Banks	16,039,194	
Cash in vault	1,806,395	
Demand balances with banks in U. S. (except private banks and American branches of foreign banks)	8,453,306	
Other balances with banks in U. S.	51,042	
Balances with banks in foreign countries	34,885	
Cash items in process of collection	5,814,224	
Due from own foreign branches		284
Bank premises owned and furniture and fixtures		914,008
Other real estate owned		17,922
Investments and other assets indirectly representing bank bank premises or other real estate		65,193
Customers' liability on acceptances		87,202
Income accrued but not yet collected		237,673
Other assets		139,720
Total assets		144,373,154
Liabilities:		
Demand deposits		$99,270,391
Individuals, partnerships and corporations	78,234,373	
U. S. Government:		
War loan and Series E bond accounts	1,043,850	
Other	205,561	
States and political subdivisions	6,496,970	
Banks in U. S.	9,806,903	
Banks in foreign countries	1,371,889	
Certified and officers' checks, cash letters of credit and travelers' checks, etc.	2,110,845	
Time deposits		34,415,373
Individuals, partnerships and corporations	33,479,604	
U. S. Government	105,678	
Postal savings	4,881	
States and political subdivisions	771,394	
Banks in U. S.	42,662	
Banks in foreign countries	21,154	
Total deposits		133,695,764
Due to own foreign branches		270,208
Bills payable, rediscounts, and other liabilities for borrowed money		59,543
Acceptances outstanding		99,892
Dividends declared but not yet payable		33,358
Income collected but not yet earned		124,721
Expenses accrued and unpaid		374,727
Other Liabilities		134,880
Total liabilities		134,813,093
Capital Accounts:		
Capital		3,171,036
Surplus		4,182,796
Undivided profits		1,644,081
Other capital accounts		562,148
Total capital accounts		9,560,061
Total liabilities and capital accounts		$144,373,154

Continued

Memoranda:	
Demand deposits adjusted (demand deposits other than interbank and U. S. Government, less cash items reported as in process of collection)	$81,027,964
Pledged assets (and securities loaned)	11,653,224
Number of banks	13,391

Source--Federal Reserve Bulletin.
(See Deposit Insurance, Federal Deposit Insurance Corporation.)

(q.v.) provided for in Sec. 16 of the Federal Reserve Act. By means of this system Domestic Exchange (q.v.) is greatly facilitated, and the necessity for frequent currency shipments from one part of the country to another has been practically eliminated.

In this function, the Board of Governors of the Federal Reserve System acts as a clearing house for the Federal Reserve Banks, which in turn act as a nation-wide clearing house for their member banks and for such non-member banks as maintain clearing accounts with the Federal Reserve Banks. Originally, the Board of Governors directed each Federal Reserve Bank to forward to the Treasury or to the nearest sub-Treasury $1,000,000 in gold, and in addition an amount at least equal to its net indebtedness to all other Federal Reserve Banks, so that the first weekly settlement might take place May 27, 1915. Since July 1, 1918, settlements have been made daily. Each Federal Reserve Bank wires the Board of Governors daily through the system of private or leased wires connecting practically all Federal Reserve Banks and branches and the Board, of the net credits due to other Federal Reserve Banks and their branches. Adjustments are made by book entries to the respective portions of the Fund of each Federal Reserve Bank affected. In this way, the clearances are made and the ownership of each Federal Reserve Bank in the Fund is constantly fluctuating, although the total of the Fund continues intact.

Items cleared through the Fund include check collections, transfers of funds for member banks and the Treasury, Federal Reserve Bank investment items, and other interdistrict business. Direct forwarding of checks and settlement of interdistrict checks through the Interdistrict Settlement Fund have reduced materially the average time formerly required to collect out-of-town checks. Wire transfers of funds by member banks through their local Federal Reserve Banks may be made at no charge if the transfers are for multiples of $1,000, and at a charge for the cost of the telegrams when such transfers are made for designated customers. These transfers are made by wire from the sending to the receiving Federal Reserve Bank, and settlements therefor are accomplished through the Fund.

(See Federal Reserve Inter-District Collection System, Par Clearances, Par List.)

INTEREST

The "price of money"; rental payment upon money; a charge made to the borrower by the lender for the use of money. "The excess payment made when the borrowed dollar is returned is called interest" (Mackenzie, M. A., Interest and Bond Values). It is expressed in terms of a percentage upon the principal. Thus, if $6.00 is paid for the annual use of $100, the rate is 6 per cent. Interest is often payable at shorter intervals, but rarely at longer. Interest on call loans, for instance, is usually payable monthly; on commercial loans quarterly; on mortgages semi-annually, and upon bonds semi-annually.

Simple interest is that computed upon the principal without reference to the interest period on the assumption (for exact simple interest) that 1/365 of a year's interest accrues each day. It is equivalent to compounding at the day of calculation and if the interest period is less than one year, the nominal simple interest rate is greater than the true interest rate compounded annually. Practically, however, this difference is disregarded. Ordinary simple interest is based on the assumption that each day is 1/360 of a year. Ordinary interest for one day is slightly more than exact interest for one day. Compound interest is computed upon the principal plus the interest which has accrued and payable upon the agreed interest date. Interest is usually compounded monthly, quarterly, semi-annually or annually.

When interest is compounded more frequently than once a year, it produces an "effective" rate in excess of the nominal or quoted rate. For example, if the nominal interest rate on a $1,000 bond is 4 per cent., and payable annually, the effective interest rate is the same; if payable semi-annually it is 4.04 per cent.; if payable quarterly it is 4.0604 per cent.; if payable monthly it is 4.0742 per cent.: if payable daily it is 4.0811 per cent. The interest on a $1,000 4 per cent. bond compounded annually is therefore $40; $40.40 if compounded semi-annually; $40.604 if compounded quarterly; $40.742 if compounded monthly, and $40.811 if compounded daily. The maximum advantage achieved by daily compounding is $0.811 a year on a $1,000 4 per cent. bond. Effective savings, therefore, are obtainable by compounding annually. (See Deposit Interest Rate, Discount, Interest Balance, Interest Rates, Interest Tables, Legal Rate of Interest, Usury.)

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INTEREST ACCRUED

See Accrued Interest.

INTEREST ADDED

See Accrued Interest.

INTEREST BALANCE

Formerly, prior to passage of the Banking Act of 1933, which prohibited interest on demand deposits, the interest balance of an account was the amount upon which interest for the day was computed. This amount did not necessarily agree with the total credit balance in the account, because of deposit of checks and other items not available until cleared or collected.

In modern account analysis, average collected balances, after deducting reserve requirements, are the basis for allowance of the earnings credit to the account, usually based on current rate of return on earning assets. Against this, cost of handling items deposited or drawn is charged. (See Bank Cost Accounting.)

INTEREST-BEARING SECURITIES

Bonds, notes, mortgages, debentures, certificates of indebtedness, equipment trust certificates, etc., which yield interest, as contrasted with equity securities, such as preferred stocks and common stocks, which evidence ownership in business and thus are not entitled to interest or the recourse of creditors in the event of default on interest or amortization charges.

INTEREST RATES

See Deposit Interest Rate, Discount, Legal Rate of Interest, Money Market, Rediscount Rate.

INTEREST TABLES

Tables constructed to show the amount of interest which will accrue on a given convenient (round-number) sum, e. g., $1, $100, or $1,000, at different rates of interest for various intervals of time, whereby separate and independent computations for each interest transaction are rendered unnecessary.

Interest tables are prepared in many different forms, with varying degrees of detail and refinement in carrying out decimal places and time intervals, and to meet a wide divergence of uses. The following list, illustrated subsequently, comprises the more important types of interest tables:

I. Simple interest. Simple interest computed on a given principal, e. g., $1,000, at different rates for various time intervals. See Table I.

II. Discount or present value. Present value (or worth) of a given sum, e. g., $1, maturing at different time intervals at various rates of interest. See Table II.

III. Compound interest. The amount to which a given sum, e. g., $1, will accumulate at interest compounded at various rates for different time intervals. See Table III.

IV. Periodic savings at compound interest. The amount to which a given sum, e. g., $1 saved regularly at the beginning of each year, will accumulate at compound interest at various rates for different time intervals. See Table IV.

V. Doubling of principal. The number of years in which a given sum will double at different rates of interest. (See Table V.

VI. Present value of an annuity. Present value (or cost to buy) of an annuity of a given sum, e. g., $1,000, at different rates of compound interest, for a varying number of annual incomes. See Table VI.

VII. Amortization of principal plus interest. The aggregate amount required to cancel a debt (bond or note) of a given sum e. g., $1,000, on the amortization plan, and simple interest plan, for different maturities at various rates of interest. See Table VII.

VIII. Sinking fund accumulations. The amount or instalment to be set aside periodically (annually, semi-annually, or quarterly) which at various rates of compound interest will accumulate to a sinking fund sufficient at varying maturities to retire the principal of a given amount of bonds. See Table VIII.

IX. Monthly Savings to Attain a Specified Estate. The amount required to be saved per month with interest compounded at 4 per cent. semi-annually to accumulate a specified sum at age 65. See Table IX.

X. Bond Interest Table. The amount of accrued interest on a $1,000 bond from 1 day to 6 months at coupon rates for every one-quarter of one per cent. from 3 1/2 per cent. to 5 per cent., and 6 per cent. The interest on a $1,000 bond at 4 1/2 per cent. for 4 months and 23 days would be $15.00 for 4 months and $2.875 for 23 days, total, $17,875. See Table X.

XI. Income From Dividend Stocks. The approximate current return, or yield, from dividend paying stocks at prices from 20 to 200, having a cash rate from $2 to $10 annually. See Table XI.

Simple interest tables for computing interest on short-term loans are based on a 360-day and 365-day year. Commercial banks customarily use the 360-day tables but the Federal Reserve banks compute their transactions on the 365-day table. There are a number of tables showing the amount of interest on a given sum at various interest rates from 1 to 365 days.

(See Amortization Loans, Annuity, Bond Values Table, Discount, Interest.)

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INTEREST WARRANT

An order by a corporation for the payment of interest due on its bonds, notes, etc.—especially an order drawn on a paying agent calling for payment of interest on registered bonds. (See Warrant.)

INTERIM CERTIFICATES

Temporary printed certificates; provisional bonds or stocks issued to purchasers of a new issue until the final or permanently engraved securities can be issued to take their place. Final stock certificates or bonds are known as definitive or permanent securities. Since the preparation of the definitive bond and stock certificates involves time and purchasers require some sort of documentary proof of ownership, interim certificates are provided to fill the gap. Interim certificates may be issued by the debtor corporation or by the syndicate managers of the syndicate floating the issue. They are also known as receipts, or syndicate managers' receipts.

INTERIM DIVIDEND

A dividend paid in anticipation of the usual periodic dividend. Some corporations make a practice of paying an interim dividend at a small nominal rate usually each quarter, in anticipation of the disbursement of the year-end or full dividend declared at the close of the fiscal year.

INTERIM RECEIPTS

See Interim Certificates.

INTERIOR BANKS

An ill-advised term to denote banks located outside of New York city, other than Federal Reserve banks, Federal land banks, etc. Practically all banks not located in New York find it convenient to maintain banking connections and to carry balances with some New York bank. The purpose of these balances is to enable banks outside of New York city to sell drafts on New York, to deal in foreign exchange, issue letters of credit, etc., the New York correspondent being the instrumentality by which these transactions are consummated. For this reason, New York is treated throughout the country both as a reserve and financial center. Even the banks located in Chicago, although technically central reserve city banks, are regarded as interior banks, a term roughly equivalent to Country Banks (q.v.).

INTEREST TABLES

Days	3¾%	4%	4¼%	4½%	4¾%	5%	5¼%	5½%	5¾%	6%	6½%	7%	7½%	8%
	$	$	$	$	$	$	$	$	$	$	$	$	$	$
1	0.1027	0.1096	0.1164	0.1233	0.1301	0.1370	0.1438	0.1507	0.1575	0.1644	0.1781	0.1918	0.2055	0.2192
2	0.2055	0.2192	0.2329	0.2466	0.2603	0.2740	0.2877	0.3014	0.3151	0.3288	0.3562	0.3836	0.4110	0.4384
3	0.3082	0.3288	0.3493	0.3699	0.3904	0.4110	0.4315	0.4521	0.4726	0.4932	0.5342	0.5753	0.6164	0.6575
4	0.4110	0.4384	0.4658	0.4932	0.5205	0.5479	0.5753	0.6027	0.6301	0.6575	0.7123	0.7671	0.8219	0.8767
5	0.5137	0.5479	0.5822	0.6164	0.6507	0.6849	0.7192	0.7534	0.7877	0.8219	0.8904	0.9589	1.0274	1.0959
6	0.6164	0.6575	0.6986	0.7397	0.7808	0.8219	0.8630	0.9041	0.9452	0.9863	1.0685	1.1507	1.2329	1.3151
7	0.7192	0.7671	0.8151	0.8630	0.9110	0.9589	1.0068	1.0548	1.1027	1.1507	1.2466	1.3425	1.4384	1.5342
8	0.8219	0.8767	0.9315	0.9863	1.0411	1.0959	1.1507	1.2055	1.2603	1.3151	1.4247	1.5342	1.6438	1.7534
9	0.9247	0.9863	1.0479	1.1096	1.1712	1.2329	1.2945	1.3562	1.4178	1.4795	1.6027	1.7260	1.8493	1.9726
10	1.0274	1.0959	1.1644	1.2329	1.3014	1.3699	1.4384	1.5068	1.5753	1.6438	1.7808	1.9178	2.0548	2.1918
11	1.1301	1.2055	1.2808	1.3562	1.4315	1.5068	1.5822	1.6575	1.7329	1.8082	1.9589	2.1096	2.2603	2.4110
12	1.2329	1.3151	1.3973	1.4795	1.5616	1.6438	1.7260	1.8082	1.8904	1.9726	2.1370	2.3014	2.4658	2.6301
13	1.3356	1.4247	1.5137	1.6027	1.6918	1.7808	1.8699	1.9589	2.0479	2.1370	2.3151	2.4932	2.6712	2.8493
14	1.4384	1.5342	1.6301	1.7260	1.8219	1.9178	2.0137	2.1096	2.2055	2.3014	2.4931	2.6849	2.8767	3.0685
15	1.5411	1.6438	1.7466	1.8493	1.9521	2.0548	2.1575	2.2603	2.3630	2.4658	2.6712	2.8767	3.0822	3.2877
16	1.6438	1.7534	1.8630	1.9726	2.0822	2.1918	2.3014	2.4110	2.5205	2.6301	2.8493	3.0685	3.2877	3.5068
17	1.7466	1.8630	1.9795	2.0959	2.2123	2.3288	2.4452	2.5616	2.6781	2.7945	3.0274	3.2603	3.4931	3.7260
18	1.8493	1.9726	2.0959	2.2192	2.3425	2.4658	2.5890	2.7123	2.8356	2.9589	3.2055	3.4521	3.6986	3.9452
19	1.9521	2.0822	2.2123	2.3425	2.4726	2.6027	2.7329	2.8630	2.9931	3.1233	3.3836	3.6438	3.9041	4.1644
20	2.0548	2.1918	2.3288	2.4658	2.6027	2.7397	2.8767	3.0137	3.1507	3.2877	3.5616	3.8356	4.1096	4.3836
21	2.1575	2.3014	2.4452	2.5890	2.7329	2.8767	3.0205	3.1644	3.3082	3.4521	3.7397	4.0274	4.3151	4.6027
22	2.2603	2.4110	2.5616	2.7123	2.8630	3.0137	3.1644	3.3151	3.4658	3.6164	3.9178	4.2192	4.5205	4.8219
23	2.3630	2.5205	2.6781	2.8356	2.9931	3.1507	3.3082	3.4658	3.6233	3.7808	4.0959	4.4110	4.7260	5.0411
24	2.4658	2.6301	2.7945	2.9589	3.1233	3.2877	3.4521	3.6164	3.7808	3.9452	4.2740	4.6027	4.9315	5.2603
25	2.5685	2.7397	2.9110	3.0822	3.2534	3.4247	3.5959	3.7671	3.9384	4.1096	4.4521	4.7945	5.1370	5.4795
26	2.6712	2.8493	3.0274	3.2055	3.3836	3.5616	3.7397	3.9178	4.0959	4.2740	4.6301	4.9863	5.3425	5.6986
27	2.7740	2.9589	3.1438	3.3288	3.5137	3.6986	3.8836	4.0685	4.2534	4.4384	4.8082	5.1781	5.5479	5.9178
28	2.8767	3.0685	3.2603	3.4521	3.6438	3.8356	4.0274	4.2192	4.4110	4.6027	4.9863	5.3699	5.7534	6.1370
29	2.9795	3.1781	3.3767	3.5753	3.7740	3.9726	4.1712	4.3699	4.5685	4.7671	5.1644	5.5616	5.9589	6.3562
30	3.0822	3.2877	3.4931	3.6986	3.9041	4.1096	4.3151	4.5205	4.7260	4.9315	5.3425	5.7534	6.1644	6.5753
31	3.1849	3.3973	3.6096	3.8219	4.0342	4.2466	4.4589	4.6712	4.8836	5.0959	5.5205	5.9452	6.3699	6.7945

TABLE I.—SINGLE INTEREST TABLE—31 DAYS TO THE MONTH

Courtesy of Financial Publishing Co.

INTERLOCKING DIRECTORS

Directors of one corporation who are at the same time directors of another in the same or similar line of business. By this means a community of interest between the two corporations is secured to the end that competition is lessened or entirely eliminated.

Under the Clayton Act, as amended by the Banking Acts of 1933 and 1935, no private banker or director, officer or employee of any member bank of the Federal Reserve System or any branch thereof shall be at the same time a director, officer, or employee of any other bank, banking association, savings bank, or trust company, organized either under the National Bank Act or State laws, or any branch thereof. However, the Board of Governors may by regulation permit such service as to not more than one other such institution or branch thereof. This general prohibition does not apply to specified exceptions: banks in which the United States controls stock; banks in formal liquidation; foreign banking corporations; banks controlled by stockholders of member banks; banks in other cities; banks not engaged in the same class of business; and mutual savings banks. (See Clayton Act; Federal Reserve Regulations, Regulation L; Kern Amendment.)

INTERMEDIATE CREDIT BANKS

Originally established under the Agricultural Credits

YEARS.	3%	3½%	4%	4½%	5%	6%	YEARS.	3%	3½%	4%	4½%	5%	6%
1	0.97	0.96	0.96	0.95	0.95	0.94	26	17.87	16.89	15.98	15.14	14.37	13.00
2	1.91	1.89	1.88	1.87	1.85	1.83	27	18.32	17.28	16.32	15.45	14.64	13.21
3	2.82	2.80	2.77	2.74	2.72	2.67	28	18.76	17.66	16.66	15.74	14.89	13.40
4	3.71	3.67	3.62	3.58	3.54	3.46	29	19.18	18.03	16.98	16.02	15.14	13.59
5	4.57	4.51	4.45	4.39	4.32	4.21	30	19.60	18.39	17.29	16.28	15.37	13.76
6	5.41	5.32	5.24	5.15	5.07	4.91	31	20.00	18.73	17.58	16.54	15.59	13.92
7	6.23	6.11	6.00	5.89	5.78	5.58	32	20.38	19.06	17.87	16.78	15.80	14.08
8	7.01	6.87	6.73	6.59	6.46	6.20	33	20.76	19.39	18.14	17.02	16.00	14.23
9	7.78	7.60	7.43	7.26	7.10	6.80	34	21.13	19.70	18.41	17.24	16.19	14.36
10	8.53	8.31	8.11	7.91	7.72	7.36	35	21.48	20.00	18.66	17.46	16.37	14.49
11	9.25	9.00	8.76	8.52	8.30	7.88	36	21.83	20.29	18.90	17.66	16.54	14.62
12	9.95	9.66	9.38	9.11	8.86	8.38	37	22.16	20.57	19.14	17.86	16.71	14.73
13	10.63	10.30	9.98	9.68	9.39	8.85	38	22.49	20.84	19.36	18.05	16.86	14.84
14	11.29	10.92	10.56	10.22	9.89	9.29	39	22.80	21.10	19.58	18.22	17.01	14.94
15	11.93	11.51	11.11	10.73	10.37	9.71	40	23.11	21.35	19.79	18.40	17.15	15.04
16	12.56	12.09	11.65	11.23	10.83	10.10	41	23.41	21.59	19.99	18.56	17.29	15.13
17	13.16	12.65	12.16	11.70	11.27	10.47	42	23.70	21.83	20.18	18.72	17.42	15.22
18	13.75	13.18	12.65	12.16	11.68	10.82	43	23.98	22.06	20.37	18.87	17.54	15.30
19	14.32	13.70	13.13	12.59	12.08	11.15	44	24.25	22.28	20.54	19.01	17.66	15.38
20	14.87	14.21	13.59	13.00	12.46	11.46	45	24.51	22.49	20.72	19.15	17.77	15.45
21	15.41	14.69	14.02	13.40	12.82	11.76	46	24.77	22.70	20.88	19.28	17.88	15.52
22	15.93	15.16	14.45	13.78	13.16	12.04	47	25.02	22.89	21.04	19.41	17.98	15.58
23	16.44	15.62	14.85	14.14	13.48	12.30	48	25.26	23.09	21.19	19.53	18.07	15.65
24	16.93	16.05	15.24	14.49	13.79	12.55	49	25.50	23.27	21.34	19.65	18.16	15.70
25	17.41	16.48	15.62	14.82	14.09	12.78	50	25.72	23.45	21.48	19.76	18.25	15.76

TABLE II.—PRESENT VALUE OF $1 A YEAR, PAYABLE EACH DEC. 31, AT COMPOUND INTEREST

Courtesy of the World Almanac.

Act of 1923, the 12 Federal Intermediate Credit Banks were designed to provide for intermediate maturities in agricultural credit-maturities ranging between the short term loans available at commercial banking institutions and the long term loans available through the Federal Land Bank System and other mortgage lenders.

Modern history of the Intermediate Credit Bank System dates from passage of the Farm Credit Act of 1933, when the farm credit system was reorganized under the Farm Credit Administration. The Intermediate Credit Banks continued their original functions in the new system, there being one Intermediate Credit Bank in each of the 12 Farm Credit Districts.

Loans.--The Intermediate Credit Banks deal with institutions and not directly with the borrowing public (farmers, cattlemen, etc.). Business of the banks consists of the rediscounting of agricultural paper and lending on the security of agricultural paper tendered by established agricultural credit agencies, such as production credit associations, State and National banks, agricultural credit corporations, livestock loan companies, and banks for cooperatives. Direct loans to cooperative associations are also authorized, but are rarer. Maturities of loans and rediscounts are ordinarily less than 12 months, although the banks are authorized a limit of 3 years in maturities. Loan and discount rates at the close of 1947 at 8 of the Intermediate Credit Banks were 1 1/2%, and 1 3/4% for the other 4 banks. Rates may not exceed by more than 1% the rate on last preceding issue of debentures issued by the bank concerned, except with approval of the Farm Credit Administration. Interest rate charged original public borrowers in the paper discounted by Intermediate Credit Banks may not exceed the banks' discount rates by more than 4% without approval of the FCA.

The real need which the Intermediate Credit Banks fulfill in the agricultural credit system is indicated by the substantial volume of loans and discounts handled. Total loans and discounts volume for 1947 was $1,253 million, of which $380.9 million was reported outstanding at the close of 1947, reflecting the turnover of largely short term maturities. Since organization, the Intermediate Credit Banks have handled loans and discounts aggregating $11,395 million.

Sources of Funds.--The Intermediate Credit Banks originally in 1923 received as contribution from the Secretary of the Treasury on behalf of the United States to capital stock, an aggregate of $60,000,000 ($5,000,000 authorized capital stock for each bank) being all subscribed and paid for prior to June 30, 1933. By legislation passed on January 31, 1934, another $40,000,000 was contributed by the Government to capital funds. During the 1941 fiscal year, however, the Intermediate Credit Banks repaid $40,000,000 to the Government, leaving the net Government investment in the System as of December 31, 1947 at $60,000,000. These repaid funds are kept in a revolving fund by the Treasury, to be available to the System in the future should the need arise.

In addition to the Government as a source of capital funds, the Intermediate Credit Banks are authorized sale of collateral trust debentures as a source of working funds, and also have recourse to rediscounts and loans from the Federal Reserve Banks and private banking institutions, loans from the Reconstruction Finance Corporation, etc. should the need arise. Sale of debentures has been the chief source of working funds, outstanding debentures being authorized up to 10 times capital and surplus of the banks. As of December 31, 1947, capital funds of the Intermediate Credit Banks totaled $84.7 million, compared with total debentures outstanding February 2, 1948 of $365,920,000. At the present time, there are only consolidated debentures outstanding, on which all 12 Intermediate Credit Banks are jointly and severally liable for payment of principal and interest. Although authorized for a maximum ma-

INTEREST TABLES

Days	3¾%	4%	4⅛%	4⅙%	4¼%	5%	5⅛%	5⅓%	5¼%	6%	6½%	7%	7½%	8%
	$	$	$	$	$	$	$	$	$	$	$	$	$	$
1	0.1042	0.1111	0.1181	0.1250	0.1319	0.1389	0.1458	0.1528	0.1597	0.1667	0.1806	0.1944	0.2083	0.2222
2	0.2083	0.2222	0.2361	0.2500	0.2639	0.2778	0.2917	0.3056	0.3194	0.3333	0.3611	0.3889	0.4167	0.4444
3	0.3125	0.3333	0.3542	0.3750	0.3958	0.4167	0.4375	0.4583	0.4792	0.5000	0.5417	0.5833	0.6250	0.6666
4	0.4167	0.4444	0.4722	0.5000	0.5278	0.5556	0.5833	0.6111	0.6389	0.6667	0.7222	0.7778	0.8333	0.8888
5	0.5208	0.5556	0.5903	0.6250	0.6597	0.6944	0.7292	0.7639	0.7986	0.8333	0.9028	0.9722	1.0417	1.1111
6	0.6250	0.6667	0.7083	0.7500	0.7917	0.8333	0.8750	0.9167	0.9583	1.0000	1.0833	1.1667	1.2500	1.3333
7	0.7292	0,7778	0.8264	0.8750	0.9236	0.9722	1.0208	1.0694	1.1181	1.1667	1.2639	1.3611	1.4583	1.5555
8	0.8333	0.8889	0.9444	1.0000	1.0556	1.1111	1.1667	1.2222	1.2778	1.3333	1.4444	1.5556	1.6667	1.7777
9	0.9375	1.0000	1.0625	1.1250	1.1875	1.2500	1.3125	1.3750	1.4376	1.5000	1.6250	1.7500	1.8750	2.0000
10	1.0417	1.1111	1.1806	1.2500	1.3194	1.3889	1.4583	1.5278	1.5972	1.6667	1.8056	1.9444	2.0833	2.2222
11	1.1458	1.2222	1.2986	1.3750	1.4514	1.5278	1.6042	1.6806	1.7569	1.8333	1.9861	2.1389	2.2917	2.4444
12	1.2500	1.3333	1.4167	1.5000	1.5833	1.6667	1.7500	1.8333	1.9167	2.0000	2.1667	2.3333	2.5000	2.6666
13	1.3542	1.4444	1.5347	1.6250	1.7153	1.8056	1.8958	1.9861	2.0764	2.1667	2.3472	2.5278	2.7083	2.8888
14	1.4583	1.5556	1.6528	1.7500	1.8472	1.9444	2.0417	2.1389	2.2361	2.3333	2.5278	2.7222	2.9167	3.1111
15	1.5625	1.6667	1.7708	1.8750	1.9792	2.0833	2.1875	2.2917	2.3958	2.5000	2.7083	2.9167	3.1250	3.3333
16	1.6667	1.7778	1.8889	2.0000	2.1111	2.2222	2.3333	2.4444	2.5556	2.6667	2.8889	3.1111	3.3333	3.5555
17	1.7708	1.8889	2.0069	2.1250	2.2431	2.3611	2.4792	2.5972	2.7153	2.8333	3.0694	3.3055	3.5417	3.7777
18	1.8750	2.0000	2.1250	2.2500	2.3750	2.5000	2.6250	2.7500	2.8750	3.0000	3.2500	3.5000	3.7500	4.0000
19	1.9792	2.1111	2.2431	2.3750	2.5069	2.6389	2.7708	2.9028	3.0347	3.1667	3.4306	3.6944	3.9583	4.2222
20	2.0833	2.2222	2.3611	2.5000	2.6389	2.7778	2.9167	3.0556	3.1944	3.3333	3.6111	3.8889	4.1667	4.4444
21	2.1875	2.3333	2.4792	2.6250	2.7708	2.9167	3.0625	3.2083	3.3542	3.5000	3.7917	4.0833	4.3750	4.6666
22	2.2917	2.4444	2.5972	2.7500	2.9028	3.0556	3.2083	3.3611	3.5139	3.6667	3.9722	4.2778	4.5833	4.8889
23	2.3958	2.5556	2.7153	2.8750	3.0347	3.1944	3.3542	3.5139	3.6736	3.8333	4.1528	4.4722	4.7917	5.1111
24	2.5000	2.6667	2.8333	3.0000	3.1667	3.3333	3.5000	3.6667	3.8333	4.0000	4.3333	4.6667	5.0000	5.3333
25	2.6042	2.7778	2.9514	3.1250	3.2986	3.4722	3.6458	3.8194	3.9931	4.1667	4.5139	4.8611	5.2083	5.5555
26	2.7083	2.8889	3.0694	3.2500	3.4306	3.6111	3.7917	3.9722	4.1528	4.3333	4.6944	5.0555	5.4167	5.7777
27	2.8125	3.0000	3.1875	3.3750	3.5625	3.7500	3.9375	4.1250	4.3125	4.5000	4.8750	5.2500	5.6250	6.0000
28	2.9167	3.1111	3.3056	3.5000	3.6944	3.8889	4.0833	4.2778	4.4722	4.6667	5.0556	5.4444	5.8333	6.2222
29	3.0208	3.2222	3.4236	3.6250	3.8264	4.0278	4.2292	4.4306	4.6319	4.8333	5.2361	5.6389	6.0417	6.4444
30	3.1250	3.3333	3.5417	3.7500	3.9583	4.1667	4.3750	4.5833	4.7917	5.0000	5.4167	5.8333	6.2500	6.6666

TABLE I.—SINGLE INTEREST TABLE—30 DAYS TO THE MONTH

Courtesy of Financial Publishing Co.

turity of 5 years, debentures in practice have been issued for short term maturities of 3 to 12 months. Face rates of interest on debentures currently outstanding, payable at maturity, range from 1.10% to 1.55% for maturities of 3 and 9 months. Security consists of like amount of agricultural paper, U. S. Government securities, or cash. The debentures are instrumentalities of the U. S. Government, but the Government assumes no liability, direct or indirect, for the debentures. Debentures are usually sold between the 15th and 25th day of each month for delivery on the first business day of the following month. Debentures are exempt from State, municipal and local taxes.

Financial Condition of System.--As of December 31, 1947, the Intermediate Credit Banks maintained a well invested position, with loans and discounts totaling $380.9 million, or 84% of total assets, compared with cash items and U. S. Government securities of $69.3 million, or 15% of total assets. Borrowed money at the close of 1947 totaled $357.7 million ($354.0 million in debentures, $3.7 million in notes payable), compared with capital funds of $94.1 million (capital stock of $60 million, earned surplus and undivided profits of $24.7 million, and contingent reserves of $9.4 million), a ratio of net worth to borrowed funds of only 1:3.8. In recent years of low lending rates, the banks have been

YEARS.	3%	4%	4½%	5%	6%	YEARS.	3%	4%	4½%	5%	6%
1.....	1.03	1.04	1.04	1.05	1.06	19.....	1.75	2.10	2.30	2.52	3.02
2.....	1.06	1.08	1.09	1.10	1.12	20.....	1.80	2.19	2.41	2.65	3.20
3.....	1.09	1.12	1.14	1.15	1.19						
4.....	1.12	1.17	1.19	1.21	1.26	21.....	1.86	2.27	2.52	2.78	3.40
5.....	1.15	1.21	1.24	1.27	1.33	22.....	1.91	2.37	2.63	2.92	3.60
						23.....	1.97	2.46	2.75	3.07	3.82
6.....	1.19	1.26	1.30	1.34	1.41	24.....	2.03	2.56	2.87	3.22	4.04
7.....	1.23	1.31	1.36	1.40	1.50	25.....	2.09	2.66	3.00	3.38	4.29
8.....	1.26	1.36	1.42	1.47	1.59						
9.....	1.30	1.42	1.48	1.55	1.68	26.....	2.15	2.77	3.14	3.55	4.54
10.....	1.34	1.48	1.55	1.62	1.79	27.....	2.22	2.88	3.28	3.73	4.82
						28.....	2.28	2.99	3.43	3.92	5.11
11.....	1.38	1.53	1.62	1.71	1.89	29.....	2.35	3.11	3.58	4.11	5.41
12.....	1.42	1.60	1.69	1.79	2.01	30.....	2.42	3.24	3.74	4.32	5.74
13.....	1.46	1.66	1.77	1.88	2.13						
14.....	1.51	1.73	1.85	1.98	2.26	31.....	2.50	3.37	3.91	4.53	6.08
15.....	1.55	1.80	1.93	2.07	2.39	32.....	2.57	3.50	4.09	4.76	6.45
						33.....	2.65	3.64	4.27	5.00	6.84
16.....	1.60	1.87	2.02	2.18	2.54	34.....	2.73	3.79	4.46	5.25	7.25
17.....	1.65	1.94	2.11	2.29	2.69	35.....	2.81	3.94	4.66	5.51	7.68
18.....	1.70	2.02	2.20	2.40	2.85	100.....	19.21	50.50	81.58	131.50	339.30

TABLE III.—AMOUNT OF ONE DOLLAR AT COMPOUND INTEREST

Courtesy of the World Almanac.

END OF YEAR.	3%	4%	4½%	5%	6%	END OF YEAR.	3%	4%	4½%	5%	6%
1.....	1.03	1.04	1.04	1.05	1.06	26.....	39.71	46.08	49.71	53.66	62.70
2.....	2.09	2.12	2.13	2.15	2.18	27.....	41.93	48.96	52.99	57.40	67.52
3.....	3.18	3.24	3.27	3.31	3.37	28.....	44.21	51.96	56.42	61.32	72.64
4.....	4.30	4.41	4.47	4.52	4.63	29.....	46.57	55.08	60.00	65.43	78.05
5.....	5.46	5.63	5.71	5.80	5.97	30.....	49.00	58.32	63.75	69.76	83.80
6.....	6.66	6.89	7.01	7.14	7.39	31.....	51.50	61.70	67.66	74.29	89.89
7.....	7.89	8.21	8.38	8.54	8.89	32.....	54.07	65.21	71.75	79.06	96.34
8.....	9.15	9.58	9.80	10.02	10.49	33.....	56.73	68.85	76.03	84.06	103.18
9.....	10.46	11.00	11.28	11.57	12.18	34.....	59.46	72.65	80.49	89.32	110.43
10.....	11.80	12.48	12.84	13.20	13.97	35.....	62.27	76.59	85.16	94.83	118.12
11.....	13.19	14.02	14.46	14.91	15.87	36.....	65.17	80.70	90.04	100.62	126.26
12.....	14.61	15.62	16.16	16.71	17.88	37.....	68.15	84.97	95.13	106.71	134.90
13.....	16.08	17.29	17.93	18.59	20.01	38.....	71.23	89.40	100.46	113.09	144.05
14.....	17.59	19.02	19.78	20.57	22.27	39.....	74.40	94.02	106.03	119.80	153.76
15.....	19.15	20.82	21.71	22.65	24.67	40.....	77.66	98.82	111.84	126.84	164.04
16.....	20.76	22.69	23.74	24.84	27.21	41.....	81.02	103.82	117.92	134.23	174.95
17.....	22.41	24.64	25.85	27.13	29.90	42.....	84.48	109.01	124.27	141.99	186.50
18.....	24.11	26.67	28.06	29.53	32.76	43.....	88.04	114.41	130.91	150.14	198.75
19.....	25.87	28.77	30.37	32.06	35.78	44.....	91.72	120.02	137.85	158.70	211.74
20.....	27.67	30.96	32.78	34.71	38.99	45.....	95.50	125.87	145.09	167.68	225.50
21.....	29.53	33.24	35.30	37.50	42.39	46.....	99.39	131.94	152.67	177.11	240.09
22.....	31.45	35.61	37.93	40.43	45.99	47.....	103.40	138.26	160.58	187.02	255.56
23.....	33.42	38.08	40.68	43.50	49.81	48.....	107.54	144.83	168.85	197.42	271.95
24.....	35.45	40.64	43.56	46.72	53.86	49.....	111.79	151.66	177.50	208.34	289.33
25.....	37.55	43 31	46.57	50.11	58.15	50.....	116 18	158.77	186.53	219.81	307.75

TABLE IV.—WHAT A SAVING OF $1 A YEAR AMOUNTS TO AT COMPOUND INTEREST

Courtesy of the World Almanac.

earning net profits after reserves of about 1 1/2% on capital funds, and bringing down to net profits about 20% of gross interest earnings.

Administration.--Directors of each Intermediate Credit Bank are the members of the Farm Credit Board of the particular district, as is the case for the other three major credit institutions in each Farm Credit District, the Federal Land Banks, production credit corporations and banks for cooperatives. This assures unified policy. The Intermediate Credit Commissioner, a member of the Farm Credit Administration, is responsible for supervision of the 12 Intermediate Credit Banks. Originally, officers of the Federal Land Banks were also officers for the Intermediate Credit Banks, but since the 1933 reorganization, the Intermediate Credit Banks have had separate officers.

(See Farm Credit Administration.)

INTERNAL BONDS (OR LOANS)

Bonds issued by a Government in its own currency for purchase by investors at home. Such bonds are to be distinguished from external bonds which the Government sells in a foreign market and in the currency of that market. (See External Bonds.)

INTERNAL DEBTS

The domestic indebtedness of a nation, public and private. Current statistics on net public and private debts are compiled by the Office on Business Economics of the U. S. Department of Commerce. In the latest review (September, 1947 issue of Survey of Current Busi-

Rate.	At Simple Interest.	At Compound Interest. Compounded Yearly.	Compounded Semi-Annually.	Compounded Quarterly.	Rate.	At Simple Interest.	At Compound Interest. Compounded Yearly.	Compounded Semi-Annually.	Compounded Quarterly.
1	100 years.	69.660	69.487	69.237	6	16.67	11.896	11.725	11.639
1½	66.66	46.536	46.382	46.297	6½	15.38	11.007	10.836	10.750
2	50.00	35.003	34.830	34.743	7	14.29	10.245	10.074	9.966
2½	40.00	28.071	27.899	27.748	7½	13.33	9.584	9.414	9.328
3	33.33	23.450	23.278	23.191	8	12.50	9 006	8.837	8.751
3½	28.57	20.149	19.977	19.890	8½	11.76	8.497	8.327	8.241
4	25.00	17.673	17.501	17.415	9	11.11	8.043	7.874	7.788
4½	22.22	15.747	15.576	15.490	9½	10.52	7.638	7.468	7.383
5	20.00	14.207	14.035	13.949	10	10.00	7.273	7.103	7.018
5½	18.18	12.942	12.775	12.689	12	8.34	6.116	5.948	5.862

Table V.—Years in Which a Given Amount Will Double at Several Rates of Interest

Courtesy of the World Almanac.

Years.	3%	4%	4½%	5%	6%	Years.	3%	4%	4½%	5%	6%
5.....	4,580	4,452	4,390	4,329	4,212	35.....	21,487	18,664	17,461	16,374	14,498
10.....	8,530	8,111	7,913	7,722	7,360	40.....	23,115	19,793	18,401	17,159	15,046
15.....	11,938	11,118	10,740	10,380	9,712	45.....	24,519	20,720	19,156	17,774	15,456
20.....	14,877	13,590	13,008	12,462	11,470	50.....	25,730	21,482	19,762	18,256	15,762
25.....	17,413	15,622	14,828	14,094	12,783	100.....	31,599	24,505	21,950	19,848	16.618
30.....	19,600	17,292	16,289	15,372	13,765						

Table VI.—Present Value of an Annuity of $1,000

Time, in Years.	The Amortization Plan.	The Simple Interest Plan—Amount Required to Cancel a $1,000 Loan On— 5 per cent.	5½ per cent.	6 per cent.	6½ per cent.	7 per cent.
5	$1,243.99	$1,250.00	$1,275.00	$1,300.00	$1,325.00	$1,350.00
6	1,291.03	1,300.00	1,330.00	1,360.00	1,390.00	1,420.00
7	1,337.41	1,350.00	1,385.00	1,420.00	1,455.00	1,490.00
8	1,383.10	1,400.00	1,440.00	1,480.00	1,520.00	1,560.00
9	1,328.07	1,450.00	1,495.00	1,540.00	1,585.00	1,630.00
10	1,472.28	1,500.00	1,550.00	1,600.00	1,650.00	1,700.00
11	1,515.69	1,550.00	1,605.00	1,660.00	1,715.00	1,770.00
12	1,558.26	1,600.00	1,660.00	1,720.00	1,780.00	1,840.00
13	1,599.95	1,650.00	1,715.00	1,780.00	1,845.00	1,910.00
14	1,640.71	1,700.00	1,770.00	1,840.00	1,910.00	1,980.00
15	1,680.49	1,750.00	1,825.00	1,900.00	1,975.00	2,050.00
16	1,719.25	1,800.00	1,880.00	1,960.00	2,040.00	2,120.00
17	1,756.94	1,850.00	1,935.00	2,020.00	2,105.00	2,190.00
18	1,793.49	1,900.00	1,990.00	2,080.00	2,170.00	2,260.00
19	1,828.86	1,950.00	2,045.00	2,140.00	2,235.00	2,330.00
20	1,862.99	2,000.00	2,100.00	2,200.00	2,300.00	2,400.00
21	1,895.80	2,050.00	2,155.00	2,260.00	2,365.00	2,470.00
22	1,927.24	2,100.00	2,210.00	2,320.09	2,430.00	2,540.00
23	1,957,23	2,150.00	2,265.00	2,380.00	2,495.00	2,610.00
24	1,985.70	2,200.00	2,320.00	2,440.00	2,560.00	2,680.00
25	2,012.58	2,250.00	2,375.00	2,500.00	2,625.00	2,750.00
26	2,037.78	2,300.00	2,430.00	2,560.00	2,690.00	2,820.00
27	2,061.21	2,350.00	2,485.00	2,620.00	2,755.00	2,890.00
28	2,082.80	2,400.00	2,540.00	2,680.00	2,820.00	2,960.00
29	2,102.44	2,450.00	2,595.00	2,740.00	2,885.00	3,030.00
30	2,120.04	2,500.00	2,650.00	2,800.00	2,950.00	3,100.00
31	2,135.49	2,550.00	2,705.00	2,860.00	3,015.00	3,170.00
32	2,148.69	2,600.00	2,760.00	2,920.00	3,080.00	3,240.00
33	2,159.52	2,650.00	2,815.00	2,980.00	3,145.00	3,310.00
34	2,167.86	2,700.00	2,870.00	3,040.00	3,210.00	3,380.00
35	2,173.58	2,750.00	2,925.00	3,100.00	3,275.00	3,450.00
36	2,176.56	2,800.00	2,980.00	3,160.00	3,340.00	3,520.00

Table VII.—Federal Farm Loan Interest Tables

Period.						
1	$100.0000	$100.0000	$100.0000	$100.0000	$100.0000	$100.0000
2	49.2611	49.1400	49.0196	48.8998	48.7805	48.5437
3	32.3530	32.1934	32.0349	31.8773	31.7209	31.4110
4	23.9027	23.7251	23.5490	23.3744	23.2012	22.8591
5	18.8355	18.6481	18.4627	18.2892	18.0975	17.7396
6	15.4597	15.2668	15.0762	14.8878	14.7017	14.3363
7	13.0506	12.8544	12.6610	12.4701	12.2820	11.9135
8	11.2456	11.0477	10.8528	10.6610	10.4722	10.1036
9	9,8434	9.6446	9.4493	9.2574	9.0690	8.7022
10	8.7231	8.5241	8.8291	8.1379	7.9505	7.5868

TABLE VIII.—SINKING FUND OR ANNUITY WHICH, INVESTED AT THE END OF EACH MONTH, WILL AMOUNT TO $100.00

Amount You Want at Age 65	YOUR PRESENT AGE 20	22	24	26	28	30	32	34	36	38	40	45	50
$5,000	$3.33	$3.66	$4.04	$4.46	$4.94	$5.49	$6.11	$6.82	$7.64	$8.60	$9.73	$13.63	$20.30
10,000	6.66	7.33	8.09	8.93	9.89	10.98	12.22	13.65	15.29	17.21	19.47	27.27	40.60
15,000	10.00	11.00	12.13	13.40	14.84	16.47	18.33	20.47	22.94	25.82	29.21	40.91	60.91
20,000	13.33	14.67	16.18	17.87	19.79	21.96	24.45	27.30	30.59	34.43	38.95	54.54	81.21
25,000	16.66	18.34	20.22	22.34	24.74	27.46	30.56	34.12	38.24	43.04	48.69	68.18	101.52
30,000	20.00	22.01	24.27	26.81	29.69	32.95	36.67	40.95	45.89	51.65	58.43	81.82	121.82
40,000	26.66	29.34	32.36	35.75	39.58	43.93	48.90	54.60	61.19	68.87	77.91	109.09	162.43
50,000	33.33	36.68	40.45	44.69	49.48	54.92	61.13	68.25	76.49	86.09	97.39	136.37	203.04

TABLE IX—SHOWS HOW MUCH TO SAVE EACH MONTH AT YOUR AGE TO REACH YOUR GOAL, WITH INTEREST AT 4% COMPOUNDED SEMI-ANNUALLY

ness, the term net public and private debt outstanding is defined as a comprehensive aggregate of the indebtedness of borrowers after elimination of duplicating Governmental and corporate debt. The net debt concepts for each of the four classifications reported are summarized as follows:

1. Federal Government net debt is that owed to all other sectors of the economy, excepting the Federal Government proper, its corporations and agencies.
2. State and local government net debt is that owed to all other economic entities except to State and local governments;
3. Corporate net debt is that owed to all other entities (including corporations) except to corporate members of an affiliated system.
4. Private non-corporate debt, net or gross, is the summation of all forms of legal indebtedness except that among individuals and unincorporated non-financial business firms.

The table on page 322 herewith, prepared by the Department of Commerce, outlines the fluctuation in public and private debt in the United States since 1916.

Feature of the 1946 experience was the expansion in total private debt to $150 billion, the highest total since 1930, although combined public and private debt declined $14.7 billion owing to the $23 billion deflation in Federal debt caused by the Treasury's policy of debt retirement during 1946.

(See Farm Mortgages, Municipal Debts, National Budget, Public Debt.)

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INTERNAL REVENUE

Revenue collected by the Federal Government from domestic, i. e., home sources, such as corporate and personal income taxes, various excise taxes, etc. Customs duties and Panama Canal tolls are the chief sources of Federal revenue which are not internal.

Revenue which the Government collects from internal or domestic activities, as distinguished from customs duties which are levied on imports. The largest source of internal revenue is income taxes on corporations and individuals, which in 1944 fiscal year reached a total of 76% of total receipts, and in the 1947 fiscal year accounted for 66% of total receipts.

Other sources of internal revenue, in approximate order of productivity, are liquor taxes, employment taxes, tobacco taxes (highest return from cigarette taxes), manufacturers' excise taxes, estate tax, retailers' excise taxes, and miscellaneous taxes (largely admission taxes.) Internal revenues collected for the fiscal years 1947 and 1946, and principal sources thereof, compared as follows:

	Fiscal Year 1947	1946
Total Internal Revenue Receipts	$39,108,385,741	$40,672,096,997
Sources:		
Income, excess profits, and unjust enrichment taxes	29,020,054,044	31,258,138,151
Capital stock tax	1,597,470	352,120,833
Estate tax	708,793,811	629,600,697
Gift tax	70,497,262	47,231,604
Liquor taxes	2,474,763,442	2,526,164,685
Tobacco taxes	1,237,768,301	1,165,519,283
Documentary, etc. stamp taxes	79,977,968	87,676,396
Manufacturers' excise taxes	1,425,394,708	922,670,740
Retailers' excise taxes	514,226,646	492,046,068
Employment taxes	2,024,364,815	1,700,827,675
Miscellaneous	1,550,947,269	1,490,100,860

INTEREST TABLES

INTEREST ON $1000 FROM 1 DAY TO 6 MONTHS

Days	3½%	3¾%	4%	4¼%	4½%	4¾%	5%	6%
1	$0.0972	$0.1041	$0.1111	$0.1180	$0.125	$0.1319	$0.1389	$0.1667
2	0.1944	0.2083	0.2222	0.2361	0.250	0.2638	0.2778	0.3333
3	0.2916	0.3125	0.3333	0.3541	0.375	0.3958	0.4167	0.5000
4	0.3889	0.4166	0.4444	0.4722	0.500	0.5277	0.5556	0.6667
5	0.4861	0.5208	0.5555	0.5903	0.625	0.6597	0.6944	0.8333
6	0.5833	0.6250	0.6667	0.7083	0.750	0.7916	0.8333	1.0000
7	0.6805	0.7291	0.7778	0.8264	0.875	0.9236	0.9722	1.1667
8	0.7778	0.8333	0.8889	0.9444	1.000	1.0555	1.1111	1.3333
9	0.8750	0.9375	1.0000	1.0625	1.125	1.1875	1.2500	1.5000
10	0.9722	1.0416	1.1111	1.1805	1.250	1.3194	1.3889	1.6667
11	1.0694	1.1458	1.2222	1.2986	1.375	1.4513	1.5278	1.8333
12	1.1667	1.2500	1.3333	1.4166	1.500	1.5833	1.6667	2.0000
13	1.2639	1.3541	1.4444	1.5347	1.625	1.7152	1.8055	2.1667
14	1.3611	1.4583	1.5555	1.6527	1.750	1.8472	1.9444	2.3333
15	1.4583	1.5625	1.6667	1.7708	1.875	1.9791	2.0833	2.5000
16	1.5555	1.6666	1.7778	1.8888	2.000	2.1111	2.2222	2.6667
17	1.6528	1.7708	1.8889	2.0069	2.125	2.2430	2.3611	2.8333
18	1.7500	1.8750	2.0000	2.1250	2.250	2.3750	2.5000	3.0000
19	1.8472	1.9791	2.1111	2.2430	2.375	2.5069	2.6389	3.1667
20	1.9444	2.0833	2.2222	2.3610	2.500	2.6388	2.7778	3.3333
21	2.0417	2.1875	2.3333	2.4791	2.625	2.7708	2.9167	3.5000
22	2.1389	2.2916	2.4444	2.5972	2.750	2.9027	3.0555	3.6667
23	2.2361	2.3958	2.5555	2.7153	2.875	3.0347	3.1944	3.8333
24	2.3333	2.5000	2.6667	2.8333	3.000	3.1666	3.3333	4.0000
25	2.4305	2.6041	2.7778	2.9514	3.125	3.2986	3.4722	4.1667
26	2.5278	2.7083	2.8889	3.0694	3.250	3.4305	3.6111	4.3333
27	2.6250	2.8125	3.0000	3.1875	3.375	3.5625	3.7500	4.5000
28	2.7222	2.9166	3.1111	3.3055	3.500	3.6944	3.8889	4.6667
29	2.8194	3.0208	3.2222	3.4236	3.625	3.8263	4.0278	4.8333
30	2.9167	3.1250	3.3333	3.5416	3.750	3.9583	4.1667	5.0000
1 Mo.	2.9167	3.1250	3.3333	3.5416	3.750	3.9583	4.1667	5.0000
2 Mos.	5.8333	6.2500	6.6667	7.0833	7.500	7.9166	8.3333	10.0000
3 "	8.7500	9.3750	10.0000	10.6250	11.250	11.8749	12.5000	15.0000
4 "	11.6667	12.5000	13.3333	14.1666	15.000	15.8332	16.6667	20.0000
5 "	14.5833	15.6250	16.6667	17.7083	18.750	19.7915	20.8333	25.0000

(Exclude day of delivery, and to the interest for the full month or months, add the interest for the remaining days. Calculate 30 days = 1 month, 360 days = 1 year.)

TABLE X—BOND INTEREST TABLE

Tax collections by States, including individual and corporate income taxes, employment taxes, and miscellaneous internal revenues, for the fiscal years 1947 and 1946 compared as follows:

Collection Districts:	Fiscal Years 1947	1946
Alabama	$244,285,520	$239,046,704
Arizona	75,952,217	76,247,941
Arkansas	109,042,772	102,279,440
1st California	1,530,143,862	1,669,620,413
6th California	1,614,241,777	1,699,758,845
Colorado	263,878,657	243,241,317
Connecticut	646,345,211	699,150,209
Delaware	323,558,135	402,981,778
Florida	413,725,954	394,574,986
Georgia	410,737,368	405,379,212
Hawaii	106,314,370	141,554,402
Idaho	65,989,998	60,211,088
1st Illinois	2,872,255,939	2,978,532,844
8th Illinois	574,892,417	567,175,712
Indiana	916,678,240	916,262,799
Iowa	348,763,454	318,265,584
Kansas	366,257,975	389,606,213
Kentucky	739,719,335	709,326,890
Louisiana	325,137,482	342,820,013
Maine	124,220,870	135,159,598
Maryland	1,166,780,345	1,234,850,934
Massachusetts	1,342,620,908	1,450,519,644
Michigan	1,779,425,893	1,970,094,071
Minnesota	612,200,194	599,961,248
Mississippi	98,310,270	92,887,474
1st Missouri	747,395,253	784,071,216
6th Missouri	314,449,691	306,367,768
Montana	68,532,698	59,328,960
Nebraska	296,312,323	281,058,877
Nevada	42,768,134	38,359,146
New Hampshire	82,266,064	77,378,111
1st New Jersey	257,654,271	231,535,575
5th New Jersey	1,009,756,311	1,042,474,881

Price	2%	3%	4%	5%	6%	7%	8%
20	10.0	15.0	20.0	25.0	30.0	35.0	40.0
22	9.1	13.6	18.2	22.7	27.3	31.8	36.4
24	8.3	12.5	16.7	20.8	25.0	29.2	33.3
26	7.7	11.5	15.4	19.2	23.1	26.9	30.8
28	7.1	10.7	14.3	17.9	21.4	25.0	28.6
30	6.7	10.0	13.3	16.7	20.0	23.3	26.7
32	6.3	9.4	12.5	15.6	18.8	21.9	25.0
34	5.9	8.8	11.8	14.7	17.7	20.6	23.5
36	5.6	8.3	11.1	13.9	16.7	19.4	22.2
38	5.3	7.9	10.5	13.2	15.8	18.4	21.1
40	5.0	7.5	10.0	12.5	15.0	17.5	20.0
42	4.8	7.1	9.5	11.9	14.3	16.7	19.1
44	4.6	6.8	9.1	11.4	13.6	15.9	18.2
46	4.4	6.5	8.7	10.9	13.0	15.2	17.4
48	4.2	6.3	8.3	10.4	12.5	14.6	16.7
50	4.0	6.0	8.0	10.0	12.0	14.0	16.0
52	3.9	5.8	7.7	9.6	11.5	13.5	15.4
54	3.7	5.6	7.4	9.3	11.1	13.0	14.8
56	3.6	5.4	7.1	8.9	10.7	12.5	14.3
58	3.5	5.2	6.9	8.6	10.3	12.1	13.8
60	3.3	5.0	6.7	8.3	10.0	11.7	13.3
62	3.2	4.8	6.5	8.1	9.7	11.3	12.9
64	3.1	4.7	6.3	7.8	9.4	10.9	12.5
66	3.0	4.6	6.1	7.6	9.1	10.6	12.1
68	2.9	4.4	5.9	7.4	8.8	10.3	11.8
70	2.9	4.3	5.7	7.1	8.6	10.0	11.4
72	2.8	4.2	5.6	6.9	8.3	9.7	11.1
74	2.7	4.1	5.4	6.8	8.1	9.5	10.8
76	2.6	3.9	5.2	6.6	7.9	9.2	10.5

Price	4%	5%	6%	7%	8%	9%	10%
78	5.1	6.4	7.7	9.0	10.3	11.5	12.8
80	5.0	6.3	7.5	8.8	10.0	11.3	12.5
82	4.9	6.1	7.3	8.5	9.8	11.0	12.3
84	4.8	6.0	7.1	8.3	9.5	10.7	11.9
86	4.7	5.8	7.0	8.1	9.3	10.5	11.6
88	4.6	5.7	6.8	8.0	9.1	10.2	11.4
90	4.4	5.6	6.7	7.8	8.9	10.0	11.1
92	4.4	5.4	6.5	7.6	8.7	9.8	10.9
94	4.3	5.3	6.4	7.5	8.5	9.6	10.6
96	4.2	5.2	6.3	7.3	8.3	9.4	10.4
98	4.1	5.1	6.1	7.1	8.2	9.2	10.2
100	4.0	5.0	6.0	7.0	8.0	9.0	10.0
102	3.9	4.9	5.9	6.9	7.8	8.8	9.8
104	3.9	4.8	5.8	6.7	7.7	8.7	9.6
106	3.8	4.7	5.7	6.6	7.6	8.5	9.4
108	3.7	4.6	5.6	6.5	7.4	8.3	9.3
110	3.6	4.6	5.5	6.4	7.3	8.2	9.1
112	3.6	4.5	5.4	6.3	7.1	8.0	8.9
114	3.5	4.4	5.3	6.1	7.0	7.9	8.8
116	3.5	4.3	5.2	6.0	6.9	7.8	8.6
118	3.4	4.2	5.1	5.9	6.8	7.6	8.5
120	3.3	4.2	5.0	5.8	6.7	7.5	8 3
130	3.1	3.9	4.6	5.4	6.2	6.9	7.7
140	2.9	3.6	4.3	5.0	5.7	6.4	7.1
150	2.7	3.3	4.0	4.7	5.3	6.0	6.7
160	2.5	3.1	3.8	4.4	5.0	5.6	6.3
170	2.4	2.9	3.5	4.1	4.7	5.3	5.9
180	2.2	2.8	3.3	3.9	4.4	5.0	5.6
200	2.0	2.5	3.0	3.5	4.0	4.5	5.0

TABLE XI—APPROXIMATE INCOME FROM DIVIDEND-PAYING STOCKS

Collection Districts:	Fiscal Years 1947	1946
New Mexico	48,116,165	45,944,588
1st New York	805,065,015	871,049,011
2nd New York	2,410,899,746	2,599,615,619
3rd New York	3,146,366,136	3,221,980,555
14th New York	590,035,161	642,662,195
21st New York	247,386,401	236,642,733
28th New York	524,109,886	542,639,153
North Carolina	1,183,005,659	1,092,663,816
North Dakota	50,303,606	44,137,845
1st Ohio	660,512,693	651,024,404
10th Ohio	291,637,478	325,657,362
11th Ohio	206,616,223	198,419,536
18th Ohio	1,284,870,694	1,413,706,535
Oklahoma	300,032,512	290,740,362
Oregon	284,193,102	273,907,694
1st Pennsylvania	1,694,102,369	1,729,686,082
12th Pennsylvania	254,502,088	314,812,720
23rd Pennsylvania	1,037,455,913	1,162,063,468
Rhode Island	216,325,430	225,919,539
South Carolina	178,291,386	181,306,927
South Dakota	51,902,374	45,618,837
Tennessee	338,837,918	324,584,911
1st Texas	568,944,684	580,294,538
2nd Texas	516,735,512	494,011,613
Utah	84,224,106	81,941,566
Vermont	44,813,441	45,503,749
Virginia	738,987,895	751,876,551
Washington	500,219,899	558,791,825
West Virginia	196,657,861	192,441,467
Wisconsin	730,031,296	841,533,936
Wyoming	32,589,057	30,833,938
Totals	$39,108,385,741	$40,672,096,997

Totals for States and Territories comprising part of or more than one collection district compared as follows:

Alaska	$15,831,344	$15,187,544
California	3,144,385,640	3,369,379,258
District of Columbia	485,875,854	509,938,000
Illinois	3,447,148,357	3,545,708,557
Maryland	678,159,708	722,420,422
Missouri	1,061,844,944	1,090,438,984
New Jersey	1,267,410,582	1,274,010,456
New York	7,723,862,348	8,114,589,270
Ohio	2,443,637,089	2,588,807,837
Pennsylvania	2,986,060,371	3,206,562,271
Texas	1,085,680,197	1,074,306,152
Washington	484,388,554	543,604,281
Puerto Rico	2,744,782	2,492,511

Internal revenue collection districts follow State boundaries, except that the Maryland district includes the District of Columbia, and Puerto Rico (For sugar collections), and the Washington district includes the Territory of Alaska. The Bureau of Internal Revenue points out that these amounts collected by States are not entirely indicative of the Federal tax burden of the respective States, since the taxes may be eventually borne by persons in other States.

(See Income Taxes.)

INTERNATIONAL BALANCE OF PAYMENTS

The international balance of payments concept is a broader one than merely the Balance of Trade (q.v.) concept, and includes all the items involving receipts or payments from or to foreign sources. Although merchandise transactions (exports and imports) are normally the largest items, capital movement can exercise at

Net Public and Private Debt

(in billions of dollars)

Calendar Year(1)	Public and Private, Total	Public			Private		
		Total	Federal	State and Local	Total	Corporate	Individual and Non-Corporate
1916	$82.2	$5.6	$1.2	$4.4	$76.6	$40.2	$36.4
1917	94.5	12.0	7.3	4.7	82.5	43.7	38.8
1918	117.5	25.9	20.9	5.0	91.6	47.0	44.6
1919	128.1	30.8	25.6	5.2	97.3	53.3	44.0
1920	135.6	29.6	23.7	5.9	106.0	57.7	48.3
1921	136.0	29.6	23.1	6.5	106.4	57.0	49.4
1922	140.2	30.5	22.8	7.7	109.7	58.6	51.1
1923	146.6	30.0	21.8	8.2	116.6	62.6	54.0
1924	153.3	30.0	21.0	9.0	123.3	67.2	56.1
1925	163.0	30.3	20.3	10.0	132.7	72.7	60.0
1926	169.3	29.9	19.2	10.7	139.4	76.2	63.2
1927	177.8	29.7	18.2	11.5	148.1	81.2	66.9
1928	186.6	29.8	17.5	12.3	156.8	86.1	70.7
1929	191.5	29.7	16.5	13.2	161.9	88.9	73.0
1930	191.9	30.6	16.5	14.1	161.3	89.3	72.1
1931	183.2	34.0	18.5	15.5	149.2	83.5	65.7
1932	176.0	37.9	21.3	16.6	138.1	80.0	58.1
1933	170.0	41.0	24.3	16.7	129.0	76.9	52.1
1934	172.9	46.3	30.4	15.9	126.5	75.5	51.0
1935	176.0	50.5	34.4	16.0	125.6	74.8	50.8
1936	181.5	53.9	37.7	16.2	127.6	76.1	51.5
1937	183.4	55.3	39.2	16.1	128.1	75.8	52.3
1938	181.0	56.5	40.5	16.0	124.5	73.3	51.2
1939	184.6	58.9	42.6	16.3	125.7	73.5	52.1
1940	191.1	61.3	44.8	16.5	129.8	75.6	54.2
1941	212.8	72.6	56.3	16.3	140.2	83.4	56.8
1942	261.0	117.5	101.7	15.8	143.5	91.6	51.9
1943	314.8	169.3	154.4	14.9	145.5	95.5	50.0
1944	372.9	226.0	211.9	14.1	146.9	94.5	52.4
1945	408.1	266.5	252.7	13.7	141.6	85.5	56.1
1946	393.4	243.3	229.7	13.6	150.0	87.6	62.4

(1) As of June 30th of each year for State and local governments.

Source--Survey of Current Business, U. S. Department of Commerce.

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times a major influence on the international balance of payments.

Balance wheel of the international balance of payments is the net movement of gold, since adverse balances are usually settled by means of gold movements. The table on page 323 was prepared by the Board of Governors of the Federal Reserve System, tabulates the gold inflow to the United States and contributing factors for the years 1914-1940, before World War II.

During World War II, the international balance of payments was distorted by military transactions. For the post-World War II years 1946 and 1947, the international balance of payments of the United States compared with the pre-World War II year 1938 is shown on the table on page 324.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

This post-World War II institution, also known as the World Bank, was originally proposed for adoption by national governments along with the International Monetary Fund (q.v.) in the Articles of Agreement ratified by the Bretton Woods Conference in July, 1944 attended by 44 nations. A large majority of the original conferee nations adopted the proposal by appropriate national legislation by late 1945, including the United States, which passed its Bretton Woods Agreement Act on July 31, 1945, and these nations formally signed the Articles of Agreement in Washington, D. C. on December 27, 1945.

The Bank began operations on June 25, 1946 with an authorized capital of $10 billion. Of this authorized capital, $7,670 million had been subscribed by 38 of the original conference nations, and 8 other nations have since become members, bringing total capital up to $8,263,100,000, 20% of which has been paid in. Member nations are as follows:

Gold Inflow to the United States and Contributing Factors
(in millions of dollars)

Year	Gold Inflow*	Contributing factors: Silver	Merchandise	Services	Capital Movement	Residual**
July, 1914–Dec., 1918	1,044		+11,808	–1,748	–11,073	+2,057
1919	–164		+4,166	–2,668	– 384	–1,278
1920	–50		+2,976	–289	–832	–1,905
1921	686		+1,965	–371	–592	–316
1922	235		+ 711	–69	–815	+ 408
1923	295		+ 373	+ 175	–78	–175
1924	216		+ 1,017	–42	–581	–178
1925	–102		+ 718	–9	–676	–135
1926	72		+ 401	+ 53	–307	–75
1927	–154		+ 701	+ 20	–452	–423
1928	–272		+ 1,056	–29	–1,195	–104
1929	120		+ 861	–75	–282	–384
1930	278		+ 793	–58	–777	+ 320
1931	–176		+ 331	–156	–443	+ 92
1932	11		+ 282	–123	–221	+ 73
1933	–173		+ 184	–76	–342	+ 61
1934	1,178	–91	+ 478	–46	+ 422	+ 415
1935	1,720	–396	+ 236	+ 4	+ 1,508	+ 368
1936	1,147	–114	+ 33	–137	+ 1,208	+ 157
1937	1,271	–88	+ 265	–208	+ 877	+ 425
1938	1,657	–206	+ 1,134	+ 39	+ 441	+ 249
1939	3,018	–77	+ 859	–50	+ 1,497	+ 789
1940	4,099	–55	+ 1,396	+ 80	+ 1,519	+ 1,159

*Net gold imports adjusted for earmarking transactions. Gold valued at $20.67 per fine ounce through January, 1934; at $35 thereafter.
**Balancing item covering errors and omissions in the other estimates.
+Contributing factor to gold inflow.
–Contributing factor to gold outflow.

Australia
Belgium
Bolivia
Brazil
Canada
Chile
China
Colombia
Costa Rica
Cuba
Czechoslovakia
Denmark
Dominican Republic
Ecuador
Egypt
El Salvador
Ethiopia
Finland
France
Greece
Guatemala
Honduras
Iceland
India
Iran
Iraq
Italy
Lebanon
Luxembourg
Mexico
Netherlands
Nicaragua
Norway
Panama
Paraguay
Peru
Philippine Islands
Poland
Syria
Turkey
Union of South Africa
United Kingdom
United States
Uruguay
Venezuela
Yugoslavia

Purposes.--Basic purposes of the Bank are to encourage and hasten a sound world economy, and to promote international flow of capital for productive purposes to assist in reconstruction and development of member nations' economic facilities. As stated in the Articles of Agreement, purposes of the Bank are:

1. To assist in the reconstruction and development of territories of members by facilitating the investment of capital for productive purposes, including the restoration of economies destroyed or disrupted by war, the reconversion of productive facilities to peacetime needs, and the encouragement of the development of productive facilities and resources in less developed countries.

2. To promote private foreign investment by means of guarantees or participations in loans and other investments made by private investors; and when private capital is not available on reasonable terms, to supplement private investment by providing, on suitable conditions, finance for productive purposes out of its own capital, funds raised by it and its other resources.

3. To promote the long range balanced growth of international trade and the maintenance of equilibrium in balances of payments by encouraging international investment for the development of the productive resources of members, thereby assisting in raising productivity, the standard of living and conditions of labor in their territories.

4. To arrange the loans made or guaranteed by it in relation to international loans through other channels so that the more useful and urgent projects, large and small alike, will be dealt with first.

Balance of Payments Statements (of the United States)

(in millions of dollars)

	1938		1946		1947	
	Receipts	Payments	Receipts	Payments	Receipts	Payments
Current Account:						
Exports and Imports:						
Total (f.o.b.)	3,101	2,177	12,140	5,264	16,022	6,047
Government	--	--	4,872	888	3,134	524
Private	--	--	7,268	4,376	12,888	5,523
Investment Income	582	190	611	173	1,026	226
Transportation	267	303	1,815	699	1,728	730
Foreign Travel	130	303	218	429	278	535
Miscellaneous	323	150	480	566	549	789
Total Goods and Services	4,403	3,123	15,264	7,131	19,603	8,327
Unilateral Transfers:						
Total	40	211	219	3,329	581	3,029
UNRRA	--	--	--	1,522	--	747
Civilian Supplies	--	--	--	554	--	1,007
Other Govt. Transfers	3	21	94	455	435	434
Private Remittances	37	190	125	798	146	841
Total Current Transactions	4,443	3,334	15,483	10,460	20,184	11,356
Surplus (+) or Deficit (--) on Current Account	+1,109		+5,023		+8,828	
Capital Account:						
Long Term Capital Movements:						
Total	97	--	991	4,333	1,002	8,796
Investments Abroad, Government:						
Credits on Sales of Surplus Property	--	--	....	860	....	317
Export-Import Bank	--	--	40	971	95	796
Subscription to Intl. Monetary Fund and Intl. Bank for Recon. and Development	--	--	--	323	--	3,063
British Loan	--	--	--	600	--	2,850
Lend-Lease Credits	--	--	....	546	....	24
Other	--	--	39*	19	75*	80
Investments Abroad, Private	40	--	911	673	794	1,530
Foreign Investments in U. S.	57	--	1	341	38	136
Short Term Capital and Gold Movements, Total (net)	--	1,455	--	1,799	--	2,116
U.S.Capital Abroad (net)	27	--	--	293	--	265
Foreign Capital in U.S. (net)	317	--	--	883	311	--
Gold (net)	--	1,799	--	623	--	2,162
Balancing Item (errors and omissions)	249	--	118	--	1,082	--

*Includes repayments on surplus property and Lend-Lease credits.

Source--International Monetary Fund: International Financial Statistics, May, 1948.

(See Foreign Trade, Gold Movements.)

5. To conduct its operations with due regard to the effect of international investment on business conditions in the territories of members and in the immediate post-war years, to assist in bringing about a smooth transition from a wartime to a peacetime economy.

Sources of Funds.--In addition to its subscribed capital, 20% of which has been paid in, 2% in gold dollars and 18% in member currencies, the Bank is authorized to borrow in the capital markets of the world. However, under the Articles of Agreement, the Bank is required to obtain approval of the particular government if it wishes to use a nation's capital markets for borrowings. Since under current conditions, the American capital market is the most readily available, the Bank obtained permission to borrow in the United States, and on June 30, 1947 filed a registration statement with the Securities and Exchange Commission for public offering, made on July 15, 1947, of $100 million in 10-Year 2 1/4% bonds, due July 15, 1957, and $150 million in 25-Year 3% bonds, due July 15, 1972. This first offering was oversubscribed, as these rates and maturities were attractive at the time of offering, but a subsequent adjustment in short term money rates has since caused the bonds to sell off to small discounts.

Loans.--As of March 31, 1948, loan commitments of the Bank totaled $497 million, of which $94.2 million were unused, and on which accrued interest and commissions totaled $5.5 million. Thus, this net loans position of $408.3 million compared with total assets of $1,907.8 million, a minor portion as yet. Most of assets March 31, 1948 consisted of non-interest bearing notes, payable on demand delivered to the Bank in substitution for currencies of members, in accordance with the Articles of Agreement, totaling $915.2 million; and U. S. Government obligations totaling $409.5 million.

Outstanding loans March 31, 1948 of $497 million were to four borrowers: the Credit National of France, for $250 million; Kingdom of Netherlands, $195 million ($56.5 million unused); Kingdom of Denmark, $40 million ($32.7 million unused); and Grand Duchy of Luxembourg, $12 million ($5 million unused). Other loan applications were pending.

Thus far, these loans have borne an interest rate of 3 1/4%, plus a commission of 1% per annum, which in accordance with the Articles of Agreement, will be set aside in a special reserve fund, for maturities of 30 years for the French loan and 25 years for the other loans.

The total amount outstanding of guarantees, participations in loans and direct loans made by the Bank may not be increased at any time to an amount in excess of the total unimparied subscribed capital, reserves and surplus of the Bank. As of March 31, 1948, subscribed capital totaled $8,263.1 million, of which the called amount totaled $1,652.6 million; and excess of income over expenses thus far totals $1.2 million.

Management.--Under the Articles of Agreement, all powers of management are vested in the Board of Governors, which consists of one Governor and one alternate appointed by each member, to serve for 5 years each. One of the Governors is chosen by the Board as Chairman. The Board delegates powers to the Executive Directors, consisting of 12 directors, 5 of whom are appointed by each of the five largest member nations and 7 of whom are elected by the Governors other than those appointed by the five largest member nations. These Executive Directors are responsible for actual operations of the Bank, and serve for two years, with power to appoint alternates. In turn, the Executive Directors, who serve continuously at the principal office of the Bank, choose the President, who cannot be a Governor or an Executive Director or an alternate, and who serves as Chairman of the Executive Directors. Since the principal office of the bank is required to be located in the territory of the member nation holding the largest number of shares, principal office of the Bank is at Washington, D. C., with a branch office in New York and a temporary office at Basle, Switzerland.

(See International Monetary Fund.)

INTERNATIONAL BANKING

See Foreign Banking Corporations, Foreign Exchange.

INTERNATIONAL CHECKS

Same as Traveler's Cheques (q.v.).

INTERNATIONAL CLEARING HOUSE

There is no physical clearing house where foreign bills of exchange and other instruments are used in the settlement of foreign transactions. In effect, however, the market for foreign exchange constitutes an international clearing house.

INTERNATIONAL CODE

See Cipher Code.

INTERNATIONAL EXCHANGE

Same as Foreign Exchange (q.v.).

INTERNATIONAL GOLD MOVEMENTS

See Foreign Exchange, Gold Movements, Gold Reserve.

INTERNATIONAL LABOR ORGANIZATION

Originally a constituent agency of the League of Nations, the International Labor Organization now functions under the Economic and Social Council of the United Nations.

General function of the ILO is the improvement of working conditions in all countries by encouraging the adoption of national laws regulating hours of work, providing a minimum living wage, social insurance, safety codes, protection of women and young workers, vocational education, recognition of the rights of labor as well as of management, and recognition of the right to equal pay for equal work. General objectives are the prevention of unemployment, regulation of labor supply, and raising of living standards.

In addition to its investigations of labor problems and publication of technical reports, the ILO functions through its sponsorship of international conferences bringing labor, management and government together. Conventions and recommendations are adopted, which the conferees and members are requested to enforce through adoption of national laws incorporating these standards. Thus far, 86 conventions and 82 recommendations embodying ILO sponsored standards have been formally adopted, and 56 conventions are now in force, covering the following range of subjects:

Wages, hours of work, minimum age of employment, conditions of seamen, conditions of agricultural workers, working conditions of women and young workers, workmen's compensation, social insurance, minimum wage fixing machinery, social standards in non-metropolitan

territories, holidays with pay, industrial safety, statistics, employment services, labor inspection, and subjects relating to migration.

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INTERNATIONAL MONETARY FUND

Established concurrently with its companion institution, the International Bank for Reconstruction and Development (q.v.) the International Monetary Fund is closely identified with the Bank in the Articles of Agreement, as membership in the Fund is a prerequisite to membership in the Bank.

The Fund's principal objectives are the promotion of international monetary cooperation, the stabilization of currencies, and the facilitation of international trade in so far as this can be achieved in the financial field. As specified in the Articles of Agreement, purposes of the Fund are:

1. To promote international monetary cooperation through a permanent institution which provides machinery for consultation and cooperation on international monetary problems.

2. To promote exchange stability and avoid competitive exchange depreciation.

3. To assist in the establishment of a multilateral system of payments in respect of current transactions, which will involve the eventual elimination of restrictions on the making of payments and transfers for current international transactions, and the avoidance of discriminatory currency arrangements or multiple currency practices.

4. To permit members, under appropriate conditions, to draw upon the resources of the Fund with a view to shortening the duration and lessening the degree of any disequilibrium which may from time to time arise in their balances of payments.

Sources of Funds.--Funds are obtained from subscriptions of member nations equal to their assigned quotas, which also determine the limit on drawing rights of members upon the Fund. Original quotas agreed to at the Bretton Woods Conference for the original members totaled $7,397,500,000, which figure has since been increased to $7,961,000,000 as of February 29, 1948 by the addition of new members and revisions in original quotas. Payments of quotas were in gold (either 25% of quota or 10% of net official holding of gold and U. S. dollars, whichever was smaller) and the remainder in the member's own currency. As of February 29, 1948, assets included gold of $1,356.9 million; non-negotiable, non-interest bearing securities of members, payable in their currencies on demand, $4,544.9 million; and balances with depositories, $883.0 million, or a total of $5,427.9 million. Other assets were largely the unpaid balances of members' subscriptions--$12.9 million of members whose par values have been established; and $1,162.9 million of members whose par values have not been agreed upon. Thus, actually paid up subscriptions as of February 29, 1948 totaled $6,785.2 million.

Operations.--Resources of the Fund are available to eligible members. A member may buy the currency of another member from the Fund in exchange for its own currency. For this, the Fund charges a service charge of 3/4% in addition to parity price, which may be increased to not more than 1% or may be reduced to not less than 1/2%. A member may buy from or sell gold to the Fund, for which there is a handling charge. The Fund prescribes a margin above and below par for gold transactions by members. To avoid excess use of its resources by a member, the Fund charges members for average daily balances of currencies held in excess of the members' quotas, on a rising scale, as follows: If not more than 25% in excess of quota, no charge for first three months, 1/2% per annum for the next nine months, thereafter 1/2% increase in the charge for each subsequent year. If 25% to 50% in excess of quota, a charge of 1/2% for the first year, and an additional 1/2% for each subsequent year. On each additional bracket of 25% in excess of quota, an additional 1/2% for the first year, and an additional 1/2% for each subsequent year. Whenever holdings of a member's currency rise to a point where the penalty charge is up to 4% per annum, the member shall consult with the Fund as to means of reducing the Fund's holdings; and if the charge reaches 5% and no agreement is reached, the Fund can then charge whatever it considers appropriate as a penalty.

Once a member's par value for its currency has been established, no member may make any change in exchange rates without consultation with the Fund, except that no objection by the Fund shall be offered if the change does not exceed 10% of original par value.

First exchange transaction occurred on May 8, 1947, when France purchased $25,000,000 from the Fund in exchange for francs. As of April 30, 1948, the Fund had bought some $606 million in various currencies, chiefly sterling and French francs, and sold $600 million in U. S. dollars as well as 1.5 million pounds sterling. At the close of February, 1948, holdings of member currencies totaled $1,559 million in U. S. dollars and $3,869 million in other member currencies.

Management.--As in the case of the Bank, powers of management of the Fund are centered in the Board of Governors, which consists of one Governor and one alternate appointed by each member to serve for five years. One of these Governors is chosen Chairman. The Board of Governors delegate powers to the Executive Directors, of whom the minimum is 12 and the present number is 13. Five of these represent the members with the largest quotas, the United States, United Kingdom, China, France and India; five are appointed by members, excluding the American Republics, not entitled to appoint Directors; and two are elected by the American Republics not entitled to appoint Directors. Voting power of the Executive Directors is approximately proportional to the quotas of their respective member nations. The Executive Directors select the Managing Director, who is the chief executive officer, and cannot be a Governor or an Executive Director, although he acts as chairman of the Executive Directors.

Under the Articles of Agreement, principal office of the Fund is to be located in the territory of the member nation having the largest quota. Thus, since the United States has the largest quota, principal office of the Fund is at Washington, D. C.

(See International Bank for Reconstruction and Development.)

INTERNATIONAL MONEY ORDER

See Money Orders.

INTERNATIONAL POSTAL MONEY ORDER

See Money Orders.

INTERNATIONAL SECURITIES

Bonds or stocks which enjoy a ready market on the principal exchanges of several leading nations, thus being subject to arbitrage transactions under normal conditions. This term also refers to bonds and stocks whose interest or dividends is payable in the financial centers of two or more countries.

Stocks of leading American railroads and industrials are traded in London. Canadian securities enjoy markets both in New York and London. Canadian Pacific Railway, for example is listed on the Montreal Stock Exchange, Toronto Stock Exchange, New York Stock Exchange, Boston Stock Exchange, Detroit Stock Exchange, Los Angeles Stock Exchange, Philadelphia Stock Exchange, and San Francisco Stock Exchange, as well as being traded on the London Stock Exchange.

INTERNATIONAL TRADE ORGANIZATION

Charter for this international organization affiliated with the United Nations was drawn up at the United Nations conference on trade and employment in Havana, Cuba held November 21, 1947-March 24, 1948. The charter's objectives are to assist countries in economic development, to reduce tariffs and other barriers to trade, to increase opportunities for economic progress, and to encourage international efforts in solving problems of production, consumption and exchange of goods. The charter provides for general rules of fair trade, and parties to the charter undertake in the fields of trade and employment to cooperate with one another and with the United Nations. Pending ratification of the charter by conferee nations and formal establishment of the ITO, an interim commission was appointed at the Havana conference for the ITO.

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INTERNATIONAL TRADE

See Foreign Trade.

INTERPOLATION

The method of obtaining a desired intermediate yield or price from a given series of yields or values, usually in bond yield tables. The ordinary method of interpolation, called the straight line method, calculates by simple proportion the desired intermediate figure by its relation to the next nearest upper and lower given figures, known as the bracketing figures. (See Bond Values Table; Yield, for examples of interpolation.)

INTERSTATE COMMERCE ACT

An act approved by Congress on February 4, 1887, and amended in 1888, 1903 (Elkins amendment), 1906 (Hepburn amendment), and 1910 (Mann-Elkins amendment), for the purpose of bringing all railroads doing an interstate business under the regulation of a common body, namely, the Interstate Commerce Commission. The original act sought chiefly to correct certain abuses, leading to four main provisions viz.: (1) prohibition of pooling; (2) forbidding discrimination between persons in the form of special rates and rebates; between localities; and between connecting lines and commodities; (3) requiring all charges to be reasonable, and that rates and fares be printed and posted for public examination; and (4) making it unlawful to charge more for a shorter than for a longer distance over the same line in the same direction, when the shorter distance is included within the longer, except by special permission.

Most important of the early amendments to the Interstate Commerce Act was the Hepburn Act of 1906, which granted the Commission the power to fix maximum rates after complaint and hearings, extended control over accounts to include powers of inspection and audit, extended jurisdiction of the Commission to include express and sleeping car companies, pipe lines, and industrial railways, and gave the Commission's orders binding effect by directing the courts to enforce orders provided they were found regularly made and duly served.

Modern regulation began with the Transportation Act of 1920, which in addition to providing for administrative control of rates, finance, consolidation, and service, provided for the first time the concept of a general rate level which would enable railroads to earn a fair return upon a fair value of their transportation properties, with provision for recapture of earnings above the determined fair return. The controversial questions of fair rate of return and recapture of excess earnings led to much litigation, and finally in 1933, these questions were rendered obsolete by repeal of the recapture clause and by new rating making provisions, contained in the Emergency Railroad Transportation Act of 1933. This latest legislation merely directs the Interstate Commerce Commission to fix rates that are just and reasonable, with due consideration to the effect of rates on the movement of traffic, adequacy and efficiency of railway transportation service, and the need of sufficient revenues by railroads so as to provide such service under "honest, economical and efficient" management.

(See Interstate Commerce Commission, Railroad Industry, Railroad Transportation (Emergency) Act of 1933, Transportation Act of 1920.)

INTERSTATE COMMERCE COMMISSION

The senior administrative agency of the Federal Government, originally created under the Interstate Commerce Act in 1887, which functions under this Act and other Federal statutes in regulating railroads, motor bus and motor truck lines, inland waterway carriers, pipe lines other than water or gas, freight forwarders, and other types of transportation agencies, operating in interstate commerce.

Originally, the main purposes of the Act were to prevent unreasonableness in railroad rates and unjust discrimination between shippers and communities. For about two decades, however, or until the Hepburn Act of 1906, the Commission was without real power because of the hostile attitude of the railroads and the courts. The original Act and subsequent amendments and statutes have conferred upon the Commission many powers over carriers, including regulation as to freight rates, passenger fares, charges for switching and other incidental services, publication of tariffs, issuance of stocks, bonds and other securities, extension of lines, abandonments, consolidations, sale, lease and purchase of other properties, accounting rules and practices, pooling of services, interlocking directorates, safety rules and regulations, standards for equipment and appliances, hours of service for labor, etc. The variety of duties is indicated by the Commission's 17 bureaus, as follows: Administration, Accounts, Finance, Formal Cases, Informal Cases, Inquiry, Law, Locomotive Inspection, Motor Carriers, Personnel Supervision and Management, Safety, Service, Transportation Economics

and Statistics, Traffic, Valuation, Water Carriers, and Freight Forwarders.

The Commission is composed of 11 members, one of whom serves as Chairman. Address is the Interstate Commerce Commission Building, Washington, D. C.

In addition to Federal regulation over interstate activities, carriers are subject to State regulation, as 47 of the States maintain regulatory commissions functioning within their respective jurisdictions.

(See Interstate Commerce Act.)

INTERURBAN BONDS

See Street Railway Bonds.

INTESTACY (INTESTATE)

When a person dies without leaving a will he is known as an intestate decedent and his estate is an intestacy. An intestacy is terminated by an administrator appointed by a probate (or surrogate) court. (See Administrator, Descent, Laws of, Letters of Administration.)

INTRINSIC VALUE

Literally, the actual value which a thing possesses in itself. This concept is somewhat nebulous and philosophical, but among economists implies value-in-use or utility, as distinguished from market value.

In referring to metallic money, intrinsic value denotes the bullion value of the metal composing the coin. Paper money is sometimes said to have no intrinsic value, meaning that the paper upon which it is printed is worthless. There is a certain amount of quibbling in stressing this point of view, since everyone recognizes that the value of paper money or any credit instrument, depends upon the collateral behind it or the credit standing and financial responsibility of the maker.

In referring to securities, intrinsic value denotes the value of a stock or bond as an investment, i. e., its worth as shown by its underlying equities, security, and past and potential earning power of the issuing organization, as distinguished from the ruling market value which because of depression or speculative enthusiasm, may be either below or above intrinsic value.

INVENTORY

A schedule or listing of property owned by an individual or concern and generally applied to the itemization of a single kind of property, the quantity, unit price, and total value being indicated for each item. Thus a merchandise inventory in a department store would consist of an itemized schedule of each kind of merchandise, shoes, carpets, men's suits, hosiery, etc., showing the quantity on hand in one column, the unit price in a second column, and the total price, (i. e., extension) in a third.

Physical inventories of merchandise, raw materials, goods in process and finished stocks should be taken at least annually, preparatory to making th financial statements and determining the profits for the year. Some businesses maintain a perpetual inventory.

INVENTORY VALUE

The valuation placed upon the stock in trade of a business--raw materials, work in process, finished goods, merchandise, securities, or whatever may be the nature of stock in trade. Principal accounting methods of inventory valuation are: (1) cost; (2) cost, less reserves; (3) cost or market, whichever is lower; (4) average cost; (5) first in, first out; and (6) last in, first out. The last in, first out method, authorized by Congress for income tax purposes in 1938, has become increasingly popular in recent years of rising prices as a means of charging current cost to sales, and thus tempering the effect on profits of inventory appreciation, while at the same time providing a cushion in lower priced units. Under this method, the last units purchased are assumed to be the first charged against goods sold, the opposite of the first in, first out method.

Since valuation of inventories exercises a very important effect on income subject to taxes, the Internal Revenue Code provides that whenever in the opinion of the Commissioner of Internal Revenue the use of inventories is necessary in order clearly to determine the income of any taxpaper, inventories shall be taken by such taxpaper upon such basis as the Commissioner, with the approval of the Secretary of the Treasury, may prescribe as conforming as nearly as may be to the best accounting practice in the trade or business and as most clearly reflecting the income. Once a taxpaper has selected an authorized method of valuation of inventories, such method shall be used in all subsequent taxable years unless with the approval of the Commissioner a change to a different method is authorized. (See Inventory.)

INVESTMENT

In a loose sense, the employment of capital for gain, whether in a business, farm, urban real estate, Government bonds, industrial bonds, oil stocks, merchandise, or an education. More strictly, it is the purchase of property for the sake of its income, but always with a view to eliminating the risk of impairment of the principal, as distinguished from Speculation (q.v.). "The investor buys to procure the income from the principal, while the speculator buys to secure the profits that may accrue in a realized appreciation of the principal (Lagerquist: Investment Analysis). Pratt (Work of Wall Street) says that "in making such a purchase safety is the primary consideration, the amount of the income is important but secondary." An investor, as dintinguished from a speculator "contemplates little or no risk, fixed interest return, and little or no thought of profit. . . . . The intent in an investment is to regain the principal (with or without a profit, which, however, will be only incidental) on the termination of the venture, pending which termination, a fixed and sure income will be received (Martin, H. S.: New York Stock Exchange).

A few authors limit the meaning of investment to purchases of property, e. g., bonds, acceptances, notes, mortgage loans, etc., in which the relation between the original outlay and the final return is as nearly certain as can be contrived in a human world. According to this view the investor must possess an enforceable contract, preferably supported by security and signed by a debtor having adequate financial responsibility, which calls for the payment of a fixed sum at a stipulated rate of interest, at a stated maturity.

Reduced to its lowest terms, investment is, therefore, the purchase of a series of future incomes, definite and known in advance, which provides also for the repayment of the principal sum without loss on a certain date; or which provides as in the case of an annuity for the return of the principal as a part of the interest, on the regular interest dates.

While, in principle, investment is limited to such placements of capital as involve a contractual obliga-

tion to pay a specified rate of interest and to return the original sum on a fixed date, thereby debarring stocks (both preferred and common), real estate, commodities, and other commitments, in practice investment, even as differentiated from speculation, cannot be conducted without some element of risk. Investment management, when applied to particular situations, especially when there is an effort to secure a rate of return in excess of "pure interest," requires knowledge and skill in selection of media, timing of purchases and sales, reinvestment of interest and matured holdings, diversity, tax features, and ability to gauge nuances of value.

Investments which fulfill closest approach to requisites of absolute safety and freedom from anxiety, necessarily those with a low rate of return, are relatively circumscribed. Where such is a prime consideration, as in case of a widow with limited funds, trust estates, foundations, or other extremely conservative investors, investments should be restricted to United States Government bonds, state and municipal bonds, first mortgages, or savings deposits. Persons in a position to assume modest risks, or capable of watching trends, such as business men, need not be penalized with the lower rate of return derived from "care-free" investments. There are many corporate issues which satisfactorily meet the requirements of a business man's risk. To aid the investor in appraising the varying risk incident to any one of the thousands of bond issues available for investment, bond rating services may be consulted. (See Bond Ratings.)

Some Investment Principles.--Excessive rigidity in investment is undesirable, but the following general rules are considered of wide applicability:

1. Have an investing plan, adapted to your circumstances and requirements. Do not invest blindly. Have some objective or general investing preference in mind or outlined in writing.

The ideal investing plan is one closely correlated to available excess income over living expenses, tax bracket, and family objectives. In general, three investing preferences are prevalent: (1) Emphasis on conservation of principal, with least risk; (2) emphasis on income, consistent with reasonable conservation of principal; and (3) emphasis on capital appreciation, with income secondary and conservation of principal least important.

Diversification should be a guiding principle in all well constructed investing plans, although intensive investment, as compared with diversified investment, is often characteristic of plans emphasizing capital appreciation. Diversification may be as to (1) total commitment in "defensive" securities (those characterized by stability), as compared with "aggressive" securities (those characterized by volatility); (2) total commitment in any one industry; (3) total commitment in any one security. (See Distribution of Risk.)

2. Review and revise your holdings periodically. No investment, even the highest grade, is absolutely safe. There is no bond or share of stock in existence which should be "locked up and forgotten."

3. Devote time to your investments. If you do not have either the time or the qualifications to do so, place your investing affairs in the hands of a competent investment adviser. If your portfolio is not large enough to justify this expense, instead of selecting individual securities yourself, invest in investment company shares, which solve for the small investor the problems of selection of individual securities; supervision by experienced research staff; handling of details of custody of securities, collection of interest and dividends, etc.; at a fair "loading" charge (see Investment Companies).

(See Investment Market, Investment Media, Investment Securities.)

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INVESTMENT ADVISERS ACT

An Act passed in 1940 (Title II of Public No. 768, 76th Congress) which brings by means of registration persons and firms engaged in investment advisory work within the regulation of the Securities and Exchange

Commission. Basis for the Act was the investigation and report by the SEC called for by Section 30 of the Public Utility Holding Company Act of 1935. Under the Act, investment advisory contracts are not permitted which provide for compensation of the investment adviser on the basis of a share of capital gains or capital appreciation of the funds of the client, or which fail to provide for consent of the client to any assignment of the contract or notification of the client of any change in a partnership advisory firm. Prohibited transactions include any devices to defraud clients, or operating as a fraud or deceit upon clients, or wherein the adviser acts as principal for his own account without disclosure to and consent of the client. Advisers subject to registration are those engaged in interstate advisory work in registered securities, whose clients number over 15, who hold themselves out generally to the public as investment advisers, and whose clients are not only investment companies and insurance companies. Advisers are subject to cancellation of their registration if they or controlling persons within 10 years of issuance of order by the SEC have been convicted of any felony or misdemeanor involving the purchase or sale of any security or practice in the securities field as investment adviser, underwriter, broker or dealer.

As of the close of 1947, registered investment advisers numbered 952.

(See Securities and Exchange Commission.)

INVESTMENT BANKS

A term of classification of banking institutions sometimes used to indicate those institutions which supply long term and intermediate credit to borrowers. The term "bank", however, is loosely used in such a sense. The Board of Governors of the Federal Reserve System defines a bank as a financial institution which accepts money from the general public for deposit in a common fund, subject to withdrawal or to transfer by check on demand or on short notice, and makes loans to the general public. This definition therefore includes national banks, state-chartered institutions (commercial banks, trust companies, mutual and stock savings banks, industrial banks, and cash depositories), and unincorporated banks (private banks and bankers). It therefore excludes building and savings and loan associations, personal loan and other small-loan companies, credit unions, mortgage companies, sales finance companies, insurance companies, and the various credit agencies owned in whole or in part by the Federal Government.

Prior to the Banking Act of 1933, which "divorced" security selling affiliates of member banks, many banks operated departments for the purchase and sale of securities through their security affiliates, thus coming close to the European concept of investment banks, which not only accept deposits from the public of the savings and commercial type, but also underwrite, purchase and sell securities in addition to transacting savings and commercial banking. (See Investment Banker.)

INVESTMENT BANKER

A banker engaged in investment banking, i. e., financing the capital requirements of business, as distinguished from the seasonal or current requirements. The investment banker is the middleman between businesses which require capital for purchase of fixed assets, e. g., the expansion of plant and facilities, and the ultimate investor, who has money to lend. New and expanding enterprises come to the investment banker for aid in the financing of their capital requirements. The investment banker then analyzes the affairs of the applicant for capital credit in order to determine whether he is justified in undertaking to finance the enterprise. This analysis is usually exhaustive, involving a study of the assets, earnings, sales, market for the product, personnel, and likelihood of success, or continued success. If the financing is undertaken, the kind of securities are then selected, and the amount, rate, and price, are agreed upon. Usually an investment banker shifts the risk of marketing these securities by forming a syndicate in which he becomes the manager, but in which others are invited to participate. (See Syndicate, Underwriting.)

An investment banker is a buyer and seller of securities. He buys them from the issuing organization, or from a syndicate, and sells to security dealers, or to the investor. Thus, investment banking combines a number of related functions, i. e., originating new issues, underwriting additional issues of an existing organization or a new issue of a new company, dealing in existing issues, and distributing securities purchased from a syndicate or otherwise. The investment banker is required to have considerable capital, since he must be in a position to "clear" large blocks of securities. His securities, however, are available as collateral for loans. An investment banker is in no way pledged to indemnify the investor against any loss he may sustain by reason of the securities sold.

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INVESTMENT BANKERS ASSOCIATION

An association of investment bankers in the United States, organized in 1912. In its latest constitution, as amended December 6, 1946, the preamble states the constitution is adopted "in order that investment bankers may the better serve both those who purchase and those who sell securities, through which the necessary funds are raised for the operation and expansion of business activities and for the carrying on of public functions, and may thus contribute to the increase in national wealth and in its wide diffusion; and in order that they may aid in these directions through mutual cooperation, through the maintenance of high standards of service, through self-regulation, and through the support of appropriate legislation."

Any individual, corporation, partnership or other legal entity of good reputation, engaged in the investment banking business, is eligible for membership in the association and may upon application be admitted to membership by and in the sole discretion of the Board of Governors of the association.

For the purpose of determining the amount of annual dues to be paid by each member of the association, the membership is divided into classes, as follows:

(a) Class I members comprise those members which act as principal underwriters in very large amounts.

As of August 31, 1946, Class I members numbered 40.

(b) Class II members comprise those members (other than members in Class I) which act as principal

underwriters of securities in large amounts.

As of August 31, 1946, Class II members numbered 54.

(c) Class A members comprise those members (other than members in Classes I and II) which act as principal underwriters of securities in substantial amounts.

Class A members totaled 94 as of August 31, 1946.

(d) Class B members comprise those members (other than members in Classes I, II and A) which act as principal underwriters of securities.

Class B members totaled 266 as of August 31, 1946.

(e) Class C members comprise all other members.

As of August 31, 1946, Class C members totaled 247.

Total membership of all classes was 701 as of August 31, 1946, approximately 13% below the all time high of 812 as of June 8, 1937. Registered branch offices of members totaled 771 as of August 31, 1946.

The term "principal underwriter" is defined to be a member organization whose name appears on a prospectus or circular as the underwriter or as one of the underwriters of an issue of securities. The Board of Governors may in its sole discretion change the classification of any member. The classification of members shall not be disclosed or published.

The administration of all affairs of the association is vested in the Board of Governors, which consists of 47 members (the president, the 5 vice-presidents elected by the association's convention, the ex-president whose term has last expired, and the 40 governors in office elected for rotating 3-year terms). The 40 governorships are allocated to the 18 regional groups of the association as follows: New York group, 8; Central States group, 6; California group, 4; New England group, 3; Eastern Pennsylvania, Mississippi Valley, Pacific Northwest, Southeastern, and Southern groups, 2 each; Canadian, Michigan, Minnesota, Northern Ohio, Ohio Valley, Rocky Mountain, Southwestern, Texas and Western Pennsylvania groups, 1 each.

Standing committees of the association are: Education, Federal Legislation, Federal Taxation, Finance, Foreign Investment, Governmental Securities, Group Chairmen's, Industrial Securities, Membership, Municipal Securities, Public Service Securities, Railroad Securities, State Legislation, and Stock Exchange Relations.

The association's officers and committees have worked very closely with parallel officers and committees of the National Association of Securities Dealers, and also maintain close working relationship with the New York Stock Exchange and the Association of Stock Exchange Firms.

Main office of the association is located at 33 South Clark Street, Chicago 3, Illinois. Office in Washington, D. C. is also maintained.

(See National Association of Securities Dealers.)

INVESTMENT BAROMETERS

Barometers which foretell the trend in bond prices, among which are, trend of interest rates, trend of commodity prices, excess reserves of the Federal Reserve System, extent of use of capital for commercial purposes, degree of activity of business, gold movements and Government and corporate financing. (See Business Barometers.)

INVESTMENT COMPANY

As defined in the Investment Company Act of 1940, an investment company means any issuer which--

(1) Is or holds itself out as being engaged primarily, or proposes to engage primarily, in the business of investing, reinvesting, or trading in securities;

(2) Is engaged or proposes to engage in the business of issuing face amount certificates of the instalment type, or has been engaged in such business and has any such certificates outstanding; or

(3) Is engaged or proposes to engage in the business of investing, reinvesting, owning, holding or trading in securities, and owns or proposes to acquire investment securities having a value exceeding 40% of the value of such issuer's to total assets (exclusive of Government securities and cash items) on an unconsolidated basis.

Face amount certificates of the instalment type are defined as obligations to pay stated or determinable sums at fixed or determinable dates, more than 24 months after date of issuance, in consideration of periodic payments similarly ascertained. "Securities", as used in the definition, do not include Government issues or those of employees' securities companies, or majority owned subsidiaries not investment companies.

With total assets of over $2.2 billion and approximately one million stockholders, investment companies rank today as among the largest investing institutions, and constitute a potent market factor and money pool. The following paragraphs trace the history and development of investment companies, from their early humble beginnings influenced by British investment companies, to their mushroom growth in the late '20s, shakeout created by the great depression, Federal regulation beginning in 1940 which marked a new departure in their history, and to their present important position.

British Investment Trusts.—Although the first investment "trust" (the modern American designation for these investing institutions is "investment company") is said to have been authorized by King William of the Netherlands in Brussels in 1822, and an investment trust was started in Switzerland in 1849, the idea which still serves as a model for modern investment trusts first assumed importance in England and Scotland. The first was called the Foreign and Colonial Government Trust and was organized in 1865. There were also the London Financial Association and the International Financial Society. Many of these investment trust companies invested heavily in American securities and those of the colonies of Great Britain. The purpose of the early British investment trusts was to procure the highest yield compatible with safety through the principle of diversification and the substitution of expert investment knowledge for guesswork. The prospectus of the Foreign and Colonial Government Trust stated: "The object of this trust is to give the investor of moderate means the same advantage as the large capitalist in diminishing the risk of investing in foreign and colonial government stocks and reserving a portion of the extra interest as a sinking fund to pay off the original capital. A capitalist who at any time within the last 20 or 30 years had invested, say £ 1,000,000, in ten or twelve such stocks selected with ordinary prudence, would on the above plan not only have received a high rate of interest, but by this time have received back his original capital by the action of the drawings and sinking fund, and held the greater part of his stocks for nothing."

The British investment trust is managed by a board of

directors, or trustee-managers. Certain limitations have always been devised, but the trustees nevertheless are vested with wide discretionary powers. Under certain restrictions imposed by the articles (or memorandum) of association, the directors may, among other things: (1) issue and allot shares of stocks and debentures, (2) purchase and sell securities and other investments, (3) act as transfer agents for the registration of the company's securities, (4) appoint and fix salaries of officers and clerks, (5) institute, defend, compromise or settle any legal action on behalf of the company, (6) set aside a portion of the company's earnings as a reserve, and manage and appropriate the funds in such reserve, (7) determine the profits of the company, and (8) negotiate and effect a combination of the interests of the company with those of any other company. There is usually some provision for limiting the expenses of administering the trust.

The articles of association usually prescribe rules relating to selection of investment media, and the substitution of one investment for another. The River Plate & General Investment Trust defined the maximum risk by providing that its capital be distributed "over a number of different securities on the principle of averages, no investment being made exceeding £10,000 in any one undertaking without the unanimous resolution of a meeting of the trustees."

Provisions regarding investment media of the Scottish Central Investment Trust are: the purchase of securities of all descriptions whether of home or foreign companies; to acquire securities by original subscription or underwriting; to advance money against securities; to deal in property of all descriptions, including real estate; and to purchase and deal in life assurance policies and annuities. The following are common restrictions to secure desired diversification: not more than one-twentieth in companies whose shares are not fully paid; not more than one fifth in any one country except England; not more than one-fortieth in any one class of security. There are many trusts which place a specific amount as a limit, usually £10,000. In practically all cases, trustees are permitted to sell securities and replace them by others either to take profits or to prevent loss.

Over a period of about a century, British investment trust practice has become fairly well standardized, and has assumed the following characteristics: (1) limitation of the amount of capital which may be invested in a single undertaking which is usually from 5 per cent to 10 per cent; (2) limitation of the amount of debentures and preferred stock to that of the total common stock outstanding; (3) payment of dividends from earnings without reference to possible impairment of the original capital (unlike business corporations, banks, and testamentary or voluntary trusts); (4) absence of desire to control or operate any enterprise; (5) vesting of control in common or deferred shares, or in founders' shares.

The financial structure of British investment trusts is also fairly well defined. There are three general classes of securities which are issued: (1) ordinary or common shares, (2) preference or preferred shares, and (3) debentures. A common provision of the declaration of trust is one limiting the issue of debentures outstanding at any one time to the aggregate amount of ordinary and preference shares.

American Investment Trusts.—American investment trusts are of comparatively recent origin, and did not become generally well known before 1923. One of the oldest American investment companies is the Railway & Light Securities Co., which dates through its antecedent, Railway & Light Securities Co., a Maine corporation, from 1904. In the '20s, the American concept of investment trust was broadened to include not only companies or funds operating like the British (the British investment trusts being corporations and having no technical "trust" forms), but also certain other types of investment participation. In this country the era of the '20s developed four or five types of investment companies, namely, general management, specialized management (both of which are characteristic British forms), fixed or limited management, holding and financial companies, and trading corporations. What were known as fixed and limited management investment trusts in this country consisted generally of issues of certificates carrying pro rata participation in a group of American common stocks. The composition of each group, "block", or "unit" was generally defined in an indenture, under whose terms a trust company, acting as trustee, held the underlying securities and issued the participating certificates. Sometimes the indenture provided that no changes were to be made in the deposited securities. Other indentures under which participations were sold to the public provided for the element of management, by defining, with more or less latitude, the conditions under which changes could be made in the securities held in the trust company by the "depositor" corporation (i. e., the group creating the investment trust fund by agreement with the trust company functioning as trustee under the indenture).

With the coming of the great depression of 1929-1932, weaknesses in investment companies organized during the late '20s became glaringly pronounced and were fatal to many companies, especially those which had sold large amounts of senior capital (debentures and preferred stocks) at high interest and dividend rates and had invested the proceeds in securities at boomtime prices. Under pressure of the depression, abuses in management crept in. The financial and holding company type, which with the trading type, had been popular in the late '20s, practically disappeared, and many general management types also passed out of existence, were absorbed, and were reorganized. Popularity of the fixed trust sharply waned as the list of stocks rigidly prescribed in the indenture incurred severe depreciation, suspended dividends and lost their former investment standing. Incidentally, many of these indentures are still in existence, as they originally prescribed 15 and 20 years or longer in term of the trust, so that although these fixed type trust shares are no longer actively offered, termination and liquidation of the underlying units remain to be accomplished in the future to remaining holders. Beginning about 1932, the "open end" (or Boston type) of investment company began to increase as a solution of the disadvantages of the fixed trust. Although the mortality in investment companies was high, various companies of the general management type and conservative management weathered the depression safely.

Federal Regulation.--In 1935, pursuant to a section of the Public Utility Holding Company Act, the Securities and Exchange Commission embarked upon an exhaustive study of investment companies in America which is the definitive work on American investment company experience prior to Federal regulation. This study led to passage of the Investment Company Act of 1940, representing the first Federal regulation of investment com-

panies and marking a new departure in their history and development. Besides being remedial in nature by aiming at abuses uncovered in the SEC study, the Act is positive in character by prescribing new standards and procedures.

The Act first divided investment companies into three general classes:

1. Face-amount certificate companies, those engaged in issuing such securities or having any outstanding;

2. Unit investment trusts, organized under a trust indenture or similar instrument, not having boards of directors, and issuing only redeemable securities,which represent undivided interests in units of specified securities (the so-called fixed trust type);

3. Management companies, which are further sub-divided into: a. open end companies; b. closed end companies. These companies are additionally sub-divided into: a. diversified; and b. non-diversified companies.

An open end company is one which offers for sale or has any redeemable security outstanding of which it is the issuer. A diversified company is one which has at least 75% of the value of its total assets represented by cash and receivables, Government securities, those of other investment companies, and other securities, limited for this purpose in respect of any one issuer to an amount not greater in value than 5% of the management company's total assets, and to not more than 10% of the outstanding voting securities of the issuer.

Salient regulatory features of the Act include:

1. Registration. Every investment company with more than 100 security holders must register with the SEC.

2. Adequacy of capital. Section 14 of the Act sets forth three conditions, compliance with one of which is a necessary prerequisite to a public offering:

a. Net worth in the issuing company of at least $100,000;

b. That the issuer has previously made a public offering and at the time thereof had a similar net worth;

c. The provision is made, as a condition of registration under the Securities Act of 1933, which in the Commission's opinion adequately insures: (1) that after the effective date of the registration, the company will not issue any security, or receive the proceeds of any subscription, until agreements have been made by not more than 25 responsible persons to purchase securities to be issued by the company for an amount which in addition to the net worth of the company will equal at least $100,000; (b) that the agreed payments will be made before any subscriptions are accepted from any persons in excess of 25; and (c) that arrangements will be made for refund without deduction upon demand of any proceeds paid in, should the company not realize a net worth of $100,000 within 90 days after the registration becomes effective.

3. Conservatism of Capital Structures. To limit "trading on the equity", closed end companies are required to have assets of at least three times funded debt or bank loans, and preferred stock must be covered at least 2 times by assets. Open end companies are limited to solely one class of security outstanding, although bank loans are permitted to a limited extent. These requirements in capitalization applied to capital structures after 1940, and did not disturb capitalizations built up prior thereto.

4. Investment policies. Each company is required to register a statement of basic investment policy, which once stated, may not be changed except with approval of stockholders.

5. Management practices and procedures. The Act prohibits self-dealing, conflicts of interest or breaches of trust; bars persons guilty of securities frauds from serving as officers or directors, requires that a majority of the board of directors must be composed of persons not affiliated with investment bankers or with brokers; requires stockholders' approval of fundamental changes in the board of directors; calls for at least 40% of the directors to be persons who are not officers or investment advisers of the company; and requires that a majority of directors of open end companies be indepent of the "sponsor" or sales distribution organization. Trafficking in management contracts and contracts to supervise the company's funds in prohibited. In addition, investment companies may not purchase over a nominal percentage of voting securities of other investment companies.

Federal regulation has served well in re-establishing investor confidence and clearing the industry of undesirable elements and practices, with the result that since 1940, investment companies have grown very substantially, particularly the open end type, whose assets by the close of 1946 and expanded 190% to $1.3 billion. Another important aid to this growth was the elimination of triple taxation (double corporate taxation plus taxation of the investment company income itself) through the provisions of Supplement "Q" to the Internal Revenue Code, which enables investment companies electing to become Regulated Investment Companies under its provisions to pay no tax on the distribution of net investment income and net capital gains made to stockholders. Thus in effect the investment company becomes a tax-free conduit of income for the security holders.

Regulation of sales practices, referred to in the Investment Company Act of 1940, has been accomplished by investment companies mainly on a voluntary basis through adherence to the rules of fair practice established by the National Association of Securities Dealers (q.v.). The various "blue sky" laws of the states also largely regulate sales practices of investment companies, although a few states have prescribed detailed regulation of investment companies similar to Federal regulation. Included in sales practices is the amount of the "load" or selling charge added to the offering price of open end companies' shares, which averages about 7 1/2%, sold through authorized security dealers. A few open end companies sell direct to investors.

Open end companies, which have featured growth since 1940, have developed into various types of funds or "series" as sponsors have tailored offerings to the investing preferences of dealers and investors. Among types of open end funds developed have been: (1) the common stock funds, those whose investing policy emphasizes investment largely in common stocks; (2) balanced funds, whose investing policy calls for predetermined ratios of bonds, preferred stocks, common stocks and cash; and (3) the bond and specialty funds, which specialize in holdings of bonds or stocks of particular industries or types, and do not diversify generally. Another important appeal of open end company shares is the ability of small investors to purchase any odd amount of shares without extra charge, such as is involved in odd lots for listed securities, and on the other hand, the privilege of investors to turn in their open end shares to the company at asset value, most companies

charging either a nominal charge or none at all for such redemption.

As of June 30, 1947, there were 352 companies registered with the Securities and Exchange Commission as investment companies under the Investment Company Act of 1940, with total assets of approximately $3.6 billion. These registered companies were classified under the Act as follows: Management open end companies, 125; management closed end, 115; unit, 96, and face amount certificate companies, 16.

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INVESTMENT CREDIT

Credit furnished to finance the purchase of long-term, durable goods. A purchaser of corporation bonds or real estate mortgages is a lender of investment credit. (See Credit.)

INVESTMENT INCOME

Income derived from invested capital, as distinguished from income derived from services. In insurance company accounting, investment income is current income (interest, dividends, etc.) from securities held in portfolios, as contrasted with capital gains or losses derived from actual sale of securities, and book appreciation or depreciation on retained securities. Insurance companies generally keep their own dividends to stockholders within investment income alone, thus assuring stability of dividends to stockholders and "ploughing back" all other gains (underwriting, turnover of securities, and book appreciation) into surplus. This normally results in large ploughed back gains, with consequent compounding of growth in equity values over a period of years. (See Insurance Company Statements, See Income.)

INVESTMENT MARKET

The channels or outlets for distributing bonds and other investments. The chief market for bonds exists among the following classes of purchasers: investing public (private investors), banks -- commercial, savings, and trust companies; speculative public; insurance companies; business concerns; investment companies; trust estates and trustees; eleemosynary institutions; foundations; labor unions; fraternal orders and clubs; endowments.

INVESTMENT MEDIA

The various types of property in which capital may be invested, customarily for gain, whether enhancement of principal or current return, or both, rather than just conservation of principal. Besides investment in a going business, the most usual types of investment media available may be summarized as follows:

1. Savings accounts.
2. Time deposits and certificates of deposit.
3. U. S. Savings bonds and stamps.
4. U. S. Postal Savings bonds and stamps.
5. U. S. Government bonds, Treasury certificates of indebtedness, bills.
6. U. S. Government guaranteed obligations.
7. Federal Savings and Loan investment accounts.
8. State, political subdivision and municipal obligations.
9. Insurance--ordinary, endowment, 20-payment and 30-payment life, etc.
10. Annuities--life, terminable, perpetual.
11. Notes, acceptances and bills of exchange.
12. Commodities.
13. Previous metals.
14. Bonds--railroad, public utility, industrial.
15. Stocks--railroad, public utility, industrial, bank and trust company, insurance, investment company, finance company, etc.
16. Real estate bonds and mortgages, insured by the Federal Housing Administration and uninsured--urban property (commercial, industrial and residential); farm property.
17. Chattel mortgages on various types of personal property.
18. Real estate--urban property (commercial, industrial and residential); farm property.
19. Foreign bonds and stocks.
20. Foreign exchange.

(See Investment.)

INVESTMENT RATING

See Bond Rating.

INVESTMENT SECURITIES

The term investment securities has come to be indiscriminately applied to all classes of bonds and stocks, regardless of quality. In its strict sense, however, investment securities are those obligations and equities whose characteristics are distinctly or predominantly conservative.

General tests of investment securities are:

1. Security of principal, which depends upon the character of the issuer, nature of the business, type of security, class of lien, nature of the collateral pledged, protective provisions in the mortgage or indenture, and provisions for recourse in the event of default.
2. Regularity of income, which depends upon the nature and stability of the business, and type of security.
3. Fairness of yield, a relative factor.
4. Efficiency and conservatism of management, an intangible factor of basic importance.
5. Marketability, which depends on such factors as legality for investment by fiduciaries, degree of seasoning, and maintenance of active listed or unlisted markets for the issue.
6. Investor convenience, including collateral value or acceptability as security for loans, acceptability of denomination and maturity, registration privilege, place of payment of interest and principal, exemption from taxation, and interchangeability of denominations.
7. Financial factors of safety, depending basically upon equities, earning power, and position in capitalization.

(See Investment.)

INVESTMENT SECURITIES REGULATIONS

Under paragraph Seventh of Section 5136, Revised Statutes, as amended by the Banking Act of 1935, the business of dealing in securities and stock by national banks (the Federal Reserve Act provides that other member banks shall be subject to the same restrictions as national banks) shall be limited to purchasing and selling such securities and stock without recourse, solely upon the order, and for the account of customers, and in no case for their own account, and national banks shall not underwrite any issue of securities or stock, subject to the following exceptions:

1. The national banks may purchase for their own account investment securities under such limitation and restrictions as the Comptroller of the Currency may by regulation prescribe. In no event shall the total amount of the investment securities of any one obligor or maker, held by the national bank for its own account, exceed at any time 10% of its capital stock actually paid in and unimpaired, and 10% of its unimpaired surplus fund (except that this limitation did not require any national bank to dispose of any securities lawfully held by it on the date of enactment of the Banking Act of 1935, August 23, 1935).

2. As used in this section, the term "investment securities" means marketable obligations evidencing indebtedness of any person, copartnership, association, or corporation in the form of bonds, notes and/or debentures commonly known as investment securities, under such further definition of the term "investment securities" as may by regulation be prescribed by the Comptroller of the Currency.

3. Except for the exceptions provided below, or otherwise permitted by law, nothing contained in this section shall authorize the purchase by national banks for their own account of any shares of stock of any corporation.

4. The limitations and restrictions contained in this section as to dealing in, underwriting and purchasing for their own account by national banks, of investment securities shall not apply to:

a. obligations of the United States.

b. general obligations of any State or of any political subdivision thereof;

c. obligations issued under authority of the Federal Farm Loan Act, as amended, or issued by the Federal Home Loan Banks or the Home Owners' Loan Corporation;

d. obligations which are insured by the Federal Housing Administrator pursuant to section 207 of the National Housing Act, if the debentures to be issued in payment of such insured obligations are guaranteed as to principal and interest by the United States.

5. In carrying on the business commonly known as the safe-deposit business, national banks shall not invest in the capital stock of a corporation organized under the laws of any State to conduct a safe-deposit business, in an amount in excess of 15% of the capital stock of the national bank actually paid in and unimpaired and 15% of its unimpaired surplus.

Pursuant to this section, the Comptroller of the Currency on February 15, 1936 issued his first regulation, further defining the term "investment securities". This was followed on June 27, 1938 by a broad revision of the Comptroller's investment securities regulation and the issuance of regulation relating to the classification of loans in bank examinations as agreed to by the Secretary of the Treasury, the Board of Governors of the Federal Reserve System, the directors of the Federal Deposit Insurance Corporation, and the Comptroller of the Currency. These supervisory authorities after a series of conferences unanimously agreed on a program which for the first time brought about uniformity in the treatment of loans and securities by Federal agencies in their administration of bank examinations.

For details of the revised investment securities regulation, see Comptroller's Regulation.

INVESTMENT STOCKS

Stocks suitable for purchase because of their stability of earnings and income, and relative stability of market value. Even the high grade common stocks, however, do not have as great stability of market value over a period of years as bonds, as shown by the tabulation of average annual fluctuation over a 9-year recent period in Fluctuating Principle (q.v.). Nevertheless, for income and growth, even the most defensive investment programs should include a selection of high-grade and good-grade common stocks for diversification. (See Investment, Speculation.)

INVESTMENT TRUST

The term formerly indiscriminately applied to the Investment Company, regardless of whether or not the form of organization was the technical business trust. Investment Companies themselves years ago officially eliminated the term "investment trust" from their designation and literature, because of the negative connotation and implication of rigidity in the word "trust". Federal regulation (Investment Company Act of 1940) and state regulation ("blue sky" laws and regulations) have also eliminated the now obsolete term "investment trust".

See Investment Company.

INVESTMENT VALUE

The intrinsic value of a security, as measured generally by the basic yardsticks of earnings, income, and asset value. Appraisal of investment values is one of the functions of Investment (q.v.).

INVESTMENTS FOR SAVINGS BANKS

See Legal Investments for Savings Banks.

INVESTMENTS FOR TRUST FUNDS

See Legal Investments for Trust Funds.

INVESTOR

A person who buys securities for investment, as contrasted with the trader or speculator, who is primarily interested in short-term turnover at a profit.

See Investment, Speculation.

INVISIBLE IMPORTS

According to Say's Law, the values passing between two nations are equal, i. e., exports and imports are equivalent values. This does not mean that the merchandise exports of any one country may not exceed its merchandise imports, or vice versa. Suppose that one country exports $10,000,000 of merchandise to another and imports $8,000,000 of merchandise. The balance of $2,000,000 may be paid for in gold, by what are known as the invisible imports, which consist of items that escape the records of the Customs officials, or by loans. The normal invisible imports consist of: (1) securities

purchased in foreign countries; (2) loans made to foreign borrowers by private investors and bankers; (3) expenditures by travelers and tourists abroad; (4) remittances on account of interest and dividends upon securities held abroad; (5) remittances on account of ocean freight charges; (6) remittances on account of marine insurance premiums; (7) remittances on account of bankers' commissions; (8) remittances by immigrants to friends and relatives abroad; (9) payment of matured loans made by foreign banks to American bankers.

Refer to International Balance of Payment for detailed statement of balance of payments items in recent years and the totals of invisible imports. Normally, the principal invisible imports of the United States are shipping, travel and remittances. During both World Wars, the United States was a heavy contributor of capital abroad, reflecting wartime loans, Lend-Lease and military expenditures abroad. During the years 1919-1933, the United States was also on balance a net contributor of capital abroad, the movement reaching a peak in 1927 and 1928, when foreign bond flotations in the United States reached a large total. Beginning in 1934, however, this normal peacetime invisible import gave way to large net capital inflow to the United States, which although interrupted by World War II, was traceable to the flight of foreign capital to the United States. Postwar resumption of net capital movement abroad will be aided by the large foreign aid planned under the European Recovery Program (q.v.). Interest and dividends (investment income on current account) has been consistently a receipt item for the United States, reflecting return flow of capital invested abroad in the form of interest and dividend payments.

(See also Balance of Trade, Foreign Trade.)

INVISIBLE SUPPLY

A term used to indicate the amount of a commodity—grain, cotton, or other agricultural product—in the possession of farmers and which has not yet reached the primary markets. (See Visible Supply.)

INVOICE

A sales slip; an itemized bill given by a seller to a purchaser of goods showing all the particulars of the sale, e. g., date, name of buyer and seller, salesman's number, quantity and description of articles, unit prices, extensions, discounts, if any, total footing, etc. The invoice is in reality an original entry record and since the billing system has come into general use, a duplicate of each invoice frequently is retained by the seller from which the monthly statement is prepared.

INVOLUNTARY BANKRUPTCY

See Bankruptcy.

IRISH DIVIDEND

A stock market expression humorously denoting an assessment upon stock, i. e., instead of the stockholder receiving a dividend, he is called upon to pay an assessment.

IRREDEEMABLE BONDS

Bonds with a fixed maturity, but not subject to prior redemption; bonds which cannot be called for redemption by the issuer (payer or obligor) before maturity. They should not be confused with Perpetual Bonds or Intermediate Bonds (q.v.)

IRREDEEMABLE DEBENTURE

A perpetual type of debenture, called Debenture Stock, characteristically issued by the British railroads, which had no fixed date of maturity or other provision for repayment of the principal, except in case of liquidation. Debenture Stock of the British railroads was issued in both redeemable and irredeemable types, with interest rates ranging from 2 1/2% to 5%. The British Government took over the British railroads in 1939 as a War measure at a fixed annual rental, and under the terms of the Transport Act of 1947, approved August 6, 1947, the British railroads were nationalized as of January 1, 1948. Security holders, including holders of irredeemable Debenture Stock, received 3% Guaranteed British Transport Stock, with maturities of 1978-88 and 1968-73. (See Debenture Stock.)

IRREDEEMABLE PAPER MONEY

Money which a Government has made legal tender in payment of debts, but which is not redeemable in standard money, i. e., gold or silver, the metals commonly used as a basis for currency in all commercial countries.

Irredeemable paper money usually becomes the standard money and tends to drive metallic money out of circulation, or places it at a premium through the operation of Gresham's Law (q.v.). It is usually subject to wide fluctuations in value and causes similar fluctuations, though in inverse ratio, in commodity prices. In the United States, paper and metallic money in circulation are irredeemable in gold, the country being on an international gold bullion standard of the restricted type since the Gold Reserve Act of 1934 (q.v.).

IRREGULAR

An expression used to indicate unevenness or variation in prices on a stock market; prices moving in opposite directions, some stocks advancing and others declining.

IRREGULARITIES

Informalities or infirmities which make a negotiable instrument technically invalid. A small percentage of the checks and other items presented to a bank, especially through a clearing house, contain some formal irregularity. This necessitates their return to the presenting bank or firm for correction or re-issue. Banks usually provide themselves with printed forms to be attached to such checks explaining the reason for their return.

The chief formal irregularities which require the return of checks are: alteration, counter signature missing, date, dated ahead, drawn against uncollected funds, duplicate paid, indorse exactly as drawn, indorsement illegible, indorsement incorrect, indorsement missing, filling (words and figures differ), guarantee of amount, guarantee of indorsement, insufficient funds, no account, no advise to pay, no instructions to pay, not due, not handled through exchange, original paid, past due, payment stopped, recalled, sent wrong, signature incorrect, signature missing, signature unknown, two signatures required, etc.

IRREVOCABLE CREDIT

See Letters of Credit.

IRREVOCABLE STOCK POWER

See Stock Power.

IRREVOCABLE TRUST

See Trusts.

IRRIGATION BONDS

Bonds issued to finance irrigation projects. Many sections of the West, especially Oregon, California, Idaho, Montana, Wyoming, Colorado, Nevada, Utah, Arizona, North and South Dakota, must resort to artificial irrigation in order to carry on successful agriculture. Projects to irrigate certain portions of these arid lands have been undertaken by three different agencies; irrigation districts, private corporations, State Governments under the provisions of the Carey Act, and the Federal Government through the Bureau of Reclamation of the Department of the Interior, which since 1902 has constructed thousands of engineering structures, and as of June 30, 1947 had in operation, under construction or authorized, 109 irrigation and multiple purpose projects in 17 Western states.

Irrigation bonds as a class have proved to be the least desirable type of municipal issue.

(See Carey Act Bonds.)

IRRIGATION DISTRICT BONDS

Irrigation Bonds (q. v.) issued by an irrigation district as distinguished from Carey Act irrigation bonds or irrigation bonds issued by a private corporation. Irrigation district bonds belong to the quasi-municipal class.

ISSUE

As a verb, to give out, emit, pass for delivery, or distribute. A Government issues currency, bonds, etc.; a bank issues notes, cashier's checks, money orders, letters of credit, etc.; a corporation issues checks, notes, bonds, stocks, etc.

As a noun, in underwriting and investment finance, the term means a new flotation of securities placed on the market for distribution to the investing public.

ISSUE OF MONEY

See Mint, Money, Redemption of Money.

ISSUE PRICE

The price at which a new flotation or issue of stock or bonds is offered to the public.

Under the underwriting procedure prescribed by the Securities and Exchange Commission under the Securities Act of 1933, the proposed maximum aggregate offering price and offering price per unit are stated in the Registration Statement (Page 1, facing sheet of Form S-1, the Registration Statement). The price to the public, underwriting discounts and commissions, and proceeds to the registrant issuer, both per unit and total, are also required to be shown in tabular form on the first page of the prospectus as to all securities being registered which are to be offered for cash (estimated if necessary).

Registration Statement becomes effective 20 days, normally, after its filing. Within 10 days after the registered securities have been initially offered to the public, a statement of actual offering price is required to be filed, setting forth also the date on which the securities were so offered. If such price differs from the proposed price set forth in the Registration Statement, a brief explanation of such difference shall be made (Rule 460, Regulation C). Where the securities were to be offered first to existing security holders and then to the general public, a statement as required by this rule is required to be filed with respect to each of such offerings if made at different prices. Within 5 days after the commencement of the public offering, 20 copies of each form of prospectus used in connection with the offering shall be filed, in the exact form used, with the office of the Commission with which the Registration Statement was filed.

In 1941, the Securities and Exchange Commission adopted Rule U-50, requiring competitive bidding for most securities issued by public utility companies under SEC jurisdiction. Competitive bidding procedure is more complex, involving official invitation for bids on the part of the issuer; awarding of the successful bid; determination of the offering price by the successful bidders; filing of the post-effective amendment as to actual offering price, underwriting discounts, and commissions, etc.

Any security issued by a common carrier subject to the supervision of the Interstate Commerce Commission is exempt from the requirements of the Securities Act of 1933. The ICC on July 1, 1944 ordered competitive bidding for certain types of railroad securities.

(See Syndicate, Underwriting.)

ISSUED CAPITAL STOCK

That portion of the stock of a corporation which is outstanding in the hands of the stockholders or repurchased and held by a corporation as Treasury Stock (q. v.). It is not required that all of the authorized stock of a corporation be immediately issued. Issued capital stock is the difference between the authorized and unissued capital stock. (See Capital Stock.)

ITEMS

A general term used in banking practice to denote such negotiable instruments as are payable upon presentation and includes checks, money orders, and matured drafts, acceptances, and notes. The term is usually employed in combination with a qualifying word, e. g., "cash items," "collection items," "clearing house items," "city items," "out-of-town items," etc.

JETTISON

The act of throwing overboard a ship's cargo in order to lighten the vessel when there is danger of sinking. An ocean carrier, as usually indicated by the ocean bill of lading, does not assume liability for jettison. This risk should therefore be covered in the Marine Insurance Certificate (q. v.).

JOB LOT TRADING

In commodity exchange trading, contracts for lesser units of trading than the regular contract unit are called job lots. On the grain exchanges, 5,000 bushels is the regular or standard contract unit. Commissions on job lot trades are proportionately higher than the commissions on regular contracts. Job lots are usually 1,000 bushels, except for barley and oats on the Chicago Board of Trade, on which the minimum trading amount is 2,000 bushels. The table at foot of page summarizes current job lot units and commissions in comparison with regular contracts and commissions on leading American grain exchanges.

JOBBER (OF SECURITIES)

See Stock Jobber.

JOINT ACCOUNT

This term has three meanings:

(1) A joint business venture, or temporary partnership.

(2) A bank account owned jointly by two or more persons. (See Joint Deposits.)

(3) The simplified form of the syndicate in security underwriting operations, combining both purchasing and selling operations by the members. The joint account involves two firms on a particular deal, whereas the syndicate involves three or more houses and usually many more, separately organized into purchase and selling groups. Even in the joint account, however, one of the houses is designated as manager of the account, to keep the records and confirm all sales. The joint account agreement, usually informal, specifies the interest of each house in the transaction, usually 50%, the details of the purchase from the issuing company, the offering price to the public, the concession to purchasing dealers, and the period of duration of the account. At the end of the period, the account is closed out, and each firm is credited with its share in the net profits, after deduction of expenses. Any bonds remaining unsold are charged to each member of the joint account in proportion to its interest.

Member banks of the Federal Reserve System were required to divorce their underwriting affiliates and discontinue their underwriting activities by the Banking Act of 1933 (as amended by the Banking Act of 1935), except for dealing in and underwriting obligations of the United States, general obligations of any State or of any political subdivision thereof, obligations issued under authority of the Federal Farm Loan Act as amended or issued by the Federal Home Loan Banks, or obligations which are insured by the Federal Housing Administrator pursuant to Section 207 of the National Housing Act if the debentures to be issued in payment of such insured

	Contract Unit		Non-Member Commission	
	Regular	Job Lot	Regular Unit	Job Lot
Barley:				
Minneapolis Grain Exchange	5,000 bu.	1,000 bu.	$12.50	$3.50
Chicago Board of Trade	5,000 bu.	2,000 bu.	15.00	$6.00 or $8.00 (a)
Corn:				
Chicago Board of Trade	5,000 bu.	1,000 bu.	15.00	$3.00 or $4.00 (b)
Kansas City Board of Trade	5,000 bu.	1,000 bu.	12.50	$3.50
Oats:				
Chicago Board of Trade	5,000 bu.	2,000 bu.	15.00	$6.00 or $8.00 (a).
Minneapolis Grain Exchange	5,000 bu.	1,000 bu.	12.50	$3.50
Kansas City Board of Trade	5,000 bu.	1,000 bu.	12.50	$3.50
Rye:				
Chicago Board of Trade	5,000 bu.	1,000 bu.	15.00	$3.00 or $4.00 (b)
Minneapolis Grain Exchange	5,000 bu.	1,000 bu.	12.50	$3.50
Wheat:				
Chicago Board of Trade	5,000 bu.	1,000 bu.	15.00	$3.00 or $4.00 (b)
Kansas City Board of Trade	5,000 bu.	1,000 bu.	12.50	$3.50
Minneapolis Grain Exchange	5,000 bu.	1,000 bu.	12.50	$3.50

(a) Minimum trading amount is 2,000 bushels, on which commission is $3.00 per 1,000 bushels when order is received in Chicago, and $4.00 when order is received from outside Chicago.

(b) Commission is $3.00 when order is received in Chicago, and $4.00 when order is received from outside Chicago.

(See Commodity Exchanges.)

obligations are guaranteed as to principal and interest by the United States.
(See Syndicate.)

JOINT AND SEVERAL NOTE

See Jointly and Severally.

JOINT BONDS

Bonds, whether of the mortgage, collateral trust, or debenture variety, which are the joint obligations of two or more issuing debtor organizations. The Great Northern-Northern Pacific joint collateral trust 6 1/2s (no longer outstanding) were an example of this class of bonds. This issue was secured by stock of the Chicago, Burlington Quincy Railroad owned jointly by the obligor railroads. In modern railroad finance, terminal bonds are secured by mortgage on the terminal and also by joint and several guarantee of principal and interest by the using railroads. For example, the Chicago Union Station First Mortgage 2 7/8s and 3 1/8s, due 1963, are secured by first mortgage on the Chicago Union Station, and by joint and several guarantee of principal and interest by the Pennsylvania, the Burlington, and the Chicago, Milwaukee, St. Paul & Pacific railroads.

JOINT DEPOSITS

In banking parlance, the term "joint accounts" refers indiscriminately to checking, savings or thrift accounts opened in the names of two people, whether as tenants in common or as joint tenants. The deposit agreement as well as the designation of the account should be specific, however, as the legal incidents are different.

In the case of tenants in common, there is no right of survivorship, so that in the event of death of one of the co-depositors, there is no right in the survivor to the entire balance of the account. Instead, the survivor shares the account equally with the estate of the deceased. During the lifetime of the co-depositors, deposits may be made by either party, but withdrawals are required to be jointly made.

Joint tenant accounts entitle the survivor of the co-depositors to the entire balance in the account upon the death of one of the co-depositors by operation of the right of survivorship. During the lifetime of the co-depositors, either party may deposit or withdraw freely. The New York Banking Law protects banks in this connection by providing that prior to notification received by the bank in writing and signed by one of the joint tenants not to pay, payment and receipt or acquittance by a joint tenant entitled to withdraw under the terms of the deposit agreement shall constitute a valid and sufficient release and discharge to the bank. Banks also protect themselves on withdrawals upon death by requiring proof of death, tax waivers, or surrogate's certificate in the case of withdrawal by estate of the deceased co-tenant in common.
(See Alternate Deposits.)

JOINT INDORSEMENT

An indorsement made by two or more payees or indorsees. Where an instrument is made payable to the order of two or more payees or indorsees who are not partners, all must indorse unless the one indorsing has authority to indorse for the other (Sec. 41, Uniform Negotiable Instruments Law; Sec. 71 New York Negotiable Instruments Law). (See Indorsement.)

JOINT MORTGAGE

A mortgage signed by two or more mortgagors, being the joint obligation of the signing parties. (See Mortgage.)

JOINT NOTE

A note which is signed by two or more makers, containing the unconditional promise: "We promise to pay", the words "jointly and severally" being omitted. (See Jointly and Severally.)

In case a joint note is not met at maturity, the holder in order to recover, must sue all the makers jointly. A note of a partnership, e. g., Brown & Smith, is a joint note, in the same manner as a note signed by two or more individuals.

JOINT OWNERSHIP OF PROPERTY

Ownership of property, real or personal, in Joint Tenancy (q. v.). Advantages of such type of ownership are: (1) There is right of survivorship, so that if one joint tenant dies, the entire property belongs to the survivor. This legal incident is of such substantial importance that in the absence of express language creating a joint tenancy, statutes and the courts are disposed to treat the tenancy as a tenancy in common, without right of survivorship. To create the joint tenancy, the express language, for example, "Harry A. Jones and Mary E. Jones, as joint tenants with right of survivorship and not as tenants in common", is necessary. Use of the word "jointly" merely is not enough. Where the property is held in a valid joint tenancy, it will pass to the survivor upon death of the other joint tenant, without necessity of a will and without invoking the laws of descent.

(2) Joint tenancy eliminates the necessity of administration for real property not subject to estate and inheritance taxes. In the case of personal property, however, tax waivers or clearances are necessary, as statutes impose penalties upon transfer agents, depositories, etc. who permit transfers or withdrawals without such clearances.

(3) Except in unusual circumstances, creditors may not reach the property in the survivor for the deceased joint tenant's debts.

(4) A joint tenant cannot devise his interest, but alienation of his interest during his lifetime would destroy the joint tenancy and make it a tenancy in common.

(5) Curtesy and dower do not attach.

(6) A joint tenant cannot create an easement on land which is binding against himself and his joint tenant.

Taxwise, however, the joint tenancy is not as advantageous as the tenancy in common. A joint tenancy does not affect income taxes, as the income is divisible. Joint tenancy property is taxable in the estate of the joint tenant who furnished the consideration (Sec. 811 (e) (1), Internal Revenue Code). Also, all of the property is subject to lien for Federal taxes, including estate and gift taxes, on the decedent's estate, so that if the estate's assets are insufficient to cover taxes, the surviving tenant's property by survivorship, even though it did not become part of the estate, is subject to payment of the tax lien. A transfer from severable interests into joint tenancy constitutes a gift to the extent of the interest involved in the joint tenancy. However, a joint tenancy can be converted into a tenancy in common without liability for gift tax if equivalent interests are involved.

A special kind of joint tenancy, the tenancy by the entirety, is still recognized in some States, applying to

real property only, and having particular legal incidents of its own.

In husband and wife joint tenancies, the Commissioner of Internal Revenue has been strict in the application of Sec. 811 (e) (1) of the Code, and required the husband's estate to pay estate tax on all the jointly held property unless the surviving spouse could show that part was the result of her contribution in property or earnings. For community property states, the Federal estate tax law also required since 1942 that the taxable estate of the spouse who dies first shall include all community property except such part as was derived from the surviving spouse's separate property or earnings. Under the Revenue Act of 1948, permitting the marital deduction for the first time, up to half the net estate, for property left to the surviving spouse, the estate of the spouse first dying now has this very important reduction in estate taxes, which is what the community property States had been doing in taxing the estate of the first spouse to die for only half the community property. The 1948 Revenue Act revision of the gift tax is also based on the assumption that half the property of a married couple is owned by each spouse, so that a gift by one spouse to another would involve gift tax on only the half interest in theory conveyed. Thus, husband and wife relationships now have a substantial tax advantage not formerly enjoyed under the Federal estate and gift taxes.

(See Joint Tenancy, Tenancy by the Entirety, Tenancy in Common.)

JOINT-STOCK BANKS

The name given to the incorporated commercial banks of England as distinguished from the Bank of England and the private banks, banking partnerships, foreign banks, etc.

The leading commercial banks of the United Kingdom are the 11 London clearing banks, which as of the close of 1947 reported the following comparative deposits and significant asset items (source--London Economist):

London Clearing Banks
(£ millions)

	December 31 1946	December 31 1947
Deposits	5,685.4	5,934.5
Net Deposits (after deducting items in course of collection)	5,438.7	5,682.1
Cash	499.4	501.8
Money Market Assets	1,042.3	1,272.9
Call Money	431.9	479.6
Bills	610.4	793.3
*Treasury Deposit Receipts	1,559.5	1,288.0
Investments and Advances	2,407.2	2,688.4
Investments	1,427.0	1,482.8
Advances	980.2	1,205.6

*This type of asset did not appear in the banks' statements until July, 1940. They represent 6-month loans to the Treasury, and may be tendered by the banks in payment for long-term Treasury securities subscribed by the banks or their customers. In an emergency, they may be redeemed by the banks at a discount equal to the Bank of England rate (explanation by Board of Governors of the Federal Reserve System).

Since September, 1939, when World War II broke out, the 11 London clearing banks' deposits have expanded more than 2 1/2 times, reflecting the process of credit inflation generated by War financing.

(See Bank of England.)

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JOINT STOCK COMPANY

A form of business organization having characteristics of both the partnership and the corporation, and sometimes called a "partnership with transferable shares".

Advantages over the partnership are; (1) continuity of existence unaffected by death of stockholders or transfer of shares; (2) centralization of management in a board of directors and officers. Advantages over the corporation are: (1) freedom from formal incorporation procedure; (2) exemption from State corporation taxes except franchise taxes in some States. Disadvantages compared with the corporation are: (1) lack of legal entity, so that taking and conveyance of real property unless specifically authorized has to be done in the name of the president, directors or trustees for the benefit of the company; (2) inability to sue and be sued in its own name; (3) unlimited liability of individual stockholders for the obligations incurred by the joint stock company.

In New York, the General Associations Law, formerly known as the Joint-Stock Associations Law, governs the legal incidents of joint stock associations, which are defined as including every unincorporated joint stock association, company or enterprise having written articles of association and capital stock divided into shares, but do not include a corporation or a business trust. The New York law requires every joint stock association transacting business within New York State to file a certificate within 60 days after formation and annually thereafter. This certificate, filed with the Secretary of State and with the clerk of the county of principal business, is to be signed and verified by the president and treasurer, and states the name and date of organization of the association, the number of its stockholders, the names and places of residence of the officers, and its principal place of business. Officers of a joint stock association who fail to comply with this requirement are jointly and severally liable to the State for a penalty of $50 for each day of failure to file. Associations doing business in New York State are also required to file with the department of state a certificate designating the Secretary of State as an agent for service of process.

The joint stock company has not been a popular form of business organization in the United States, although it has been characteristic of the old time railway express companies.

(See Corporation, Partnership.)

JOINT STOCK LAND BANK BONDS

All Joint Stock Land Bank bonds have matured or called for redemption, and all but 5 of the 88 chartered Joint Stock Land Banks (q.v.) had completed liquidation as of the close of 1947.

JOINT STOCK LAND BANKS

These agricultural credit institutions were privately organized and owned under the provisions of the Federal Farm Loan Act of 1916 (q.v.). The Emergency Farm Mortgage Act of 1933 provided that as of the date of en-

actment of the Act (May 12, 1933), no joint stock land bank shall issue any tax-exempt bonds or make any farm loans except such as are necessary and incidental to the refinancing of existing loans or bond issues or to the sale of any real estate then owned or thereafter acquired by the joint stock land banks. This Act in effect prohibited joint stock land banks from acquiring new business and restricted them to orderly liquidation of existing assets.

The Farm Credit Administration has had supervision over remaining operation and liquidation of the joint stock land banks. As of December 31, 1947, all but 5 of the 88 chartered joint stock land banks had completed liquidation.

JOINTLY AND SEVERALLY

When a note, mortgage, or bond is signed by several makers, who "jointly and severally promise to pay", each maker is individually liable for the full amount. This differs from the liability of each separate maker when the wording is "we jointly promise to pay". In this case the makers are liable as a whole and not individually.

JOINT TENANCY

A type of estate in real or personal property in which two or more persons, by virtue of grant or devise, never by laws of descent or operation of law, are associated in joint ownership. Joint tenancies have the four "unities" attaching, as follows: (1) Title. The joint tenancy arises by virtue of the same deed, conveyance or will; (2) Interest. Each joint tenant must have the same interest and estate in the property; (3) Time. The estate of each joint tenant must arise at the same time; and (4) Possession. Each joint tenant holds by the fractional interest specified and by the whole undivided possession.

In order to create a joint tenancy, the language of the grant or devise must be express and must clearly indicate that a joint tenancy is intended, as otherwise, statutes and courts rule generally that a tenancy in common is created. This disinclination to find joint tenancies by implication arises because of the important legal incident of survivorship. If one joint tenant should die, the estate passes to the survivors as joint tenants. The interest of the deceased joint tenant does not descend to his heirs, nor can he devise his interest. A joint tenant can mortgage or convey his interest during his lifetime, but if he does so, the joint tenancy is destroyed as to the interest mortgaged or conveyed. Partition will also dissolve the joint tenancy. Death of all the joint tenants but one will likewise terminate the joint tenancy.

(See Tenancy in Common, Tenancy by the Entirety.)

JOURNAL

In bookkeeping, a book of original entry; a record in which transactions are entered chronologically, i. e., in the order in which they occur, and from which they are posted to a ledger. Original entry records are also sometimes known as registers and blotters. Frequently, moreover, the original entry record is not made in a book but on various forms of posting mediums, e. g., deposit slip, debit and credit tickets

Judgment Debtor (q.v.), and should accordingly appear upon his books. Likewise the award from the viewpoint of the judgment creditor is an asset, or contingent asset, since although awarded may be uncollectible.

JUDGMENT CREDITOR

A creditor whose claim has been validated in a court of law and has been reduced to a judgment against the debtor.

JUDGMENT DEBT

A debt which has been contested in a law-suit, and found to be due; a debt validated and against which an award has been made by a court.

JUDGMENT DEBTOR

A debtor against whom a creditor has secured a judgment, which has been placed on record. (See Judgment Debt.)

JUDGMENT

A pecuniary award ordered by a court as the result of a law suit. A judgment constitutes a liability of the

JUDGMENT NOTE

An ordinary promissory note given by a debtor to a creditor to avoid legal action by the latter. It is an acknowledgment of a debt due the creditor and usually contains a power of attorney permitting the creditor to appear in court and confess judgment for the debtor.

JUNIOR BONDS

Bonds which are preceded by another issue or issues in their claim against the property pledged as security therefor. In the case of foreclosure they constitute a claim against the property pledged as security only after all prior claims have been satisfied. Junior bonds may be any kind of bonds except first mortgage bonds, e. g., second mortgage bonds, general mortgage bonds, debenture bonds. They are the opposite of Senior Bonds (q. v.).

JUNIOR ISSUE

Junior Bonds (q. v.); or junior stock which usually refers to common stock as distinguished from preferred stock.

JUNIOR LIEN

See Junior Bonds, Junior Issue, Junior Mortgage, Lien.

JUNIOR MORTGAGE

A low-ranking mortgage; a mortgage which is preceded by another or others in its claim against the mortgaged property, and which in case of foreclosure, would not be satisfied until all prior mortgages have been satisfied. A junior mortgage constitutes a junior lien upon the mortgaged property and is any mortgage other than the first, e. g., second, third, general, etc. (See Junior Bonds, Mortgage.)

KERN AMENDMENT

One of the amendments to the Clayton Anti-Trust Act, originally passed October 15, 1914. Sections 8 and 11 of the Act, relating to interlocking bank directorates, have been amended seven times. The Banking Act of 1935, passed August 23, 1935, completely revised Section 8 of the Act (See Clayton Act, Federal Reserve Regulations (Regulation L), Interlocking Directors.)

KILLING

An expression used among stock or produce exchange speculators to denote an unusually large and unexpected trading profit.

KITING CHECKS

A term used in banking to denote a method sometimes used by depositors to make use of fictitious balances by drawing against uncollected funds. Depositors are not entitled to draw against uncollected funds, but banks are not always careful in guarding against paying against funds deposited but not collected. Where this is true, it is possible for two persons living in different localities to exchange checks with one another and by depositing them with their respective banks, to have use of the funds until the day of collection, when funds may be deposited to make good the amount.

Kiting may also be practiced by a single individual having two bank accounts. By depositing a check drawn on bank "A" to the credit of his account in bank "B", and depositing a check drawn on bank "B" to the credit of his account in bank "A", a person may draw against the fictitious balances thus credited, expecting to "cover" before the checks are presented.

In the long run, banks are able to detect individuals who make a practice of kiting. This practice injures the depositor's credit standing and may result in his losing his account.

KITING STOCKS

A stock market expression used to denote the forcing of stock prices to unwarranted high levels; inflating or ballooning the prices of stocks.

KOPECK

See Foreign Moneys—Russia.

KORUNA

The crown of Czechoslovakia. (See Foreign Moneys--Czechoslovakia.)

KRAN

A currency unit of Iran, consisting of 1,000 dinars, as compared with the rial, the international currency unit, which consists of 100 dinars. (See Foreign Moneys--Iran.)

KRONA

See Foreign Moneys--Iceland, Sweden.

KRONE

See Foreign Moneys—Denmark, Norway.

LABOR BANKS

A name given to banks which have been organized, and the stock owned, by labor unions and their members. Except for the fact that they are operated under the auspices of labor unions primarily (although dealings are in no sense restricted to union members), they differ in no essential respects from other banks. The pioneer of these banks was the Locomotive Brotherhood Bank in Cleveland, Ohio, which was opened in November, 1920. Of the total stock of this bank, 51 per cent, was owned by the Locomotive Brotherhood as an organization, the remainder being held by members of the brotherhood individually. Stockholders were to receive no more than 10 per cent, in dividends, and any surplus that accrued was to be distributed to depositors in an increased interest rate. But with the adversities of the banking crisis in the United States during 1931-33, this experiment in co-operative banking came to an end.

Not all the labor banks have been organized under the National banking laws. The Brotherhood of Locomotive Engineers' Co-operative Trust Company of New York City, which opened for business on December 29, 1923, was organized under the banking laws of the State of New York.

The Brotherhood of Locomotive Engineers' Co-operative Trust Company of Philadelphia, organized in February, 1924, was also a state institution. Both the brotherhood banks in New York and Philadelphia were equipped to do a trust business, while all performed savings bank functions.

In May, 1920, the Mount Vernon Savings Bank was established in Washington with a capital of $160,000. From then on the movement developed rapidly. Even in the depression year 1921 the American Federation of Labor unions entered the movement, and ten labor banks were established by the end of 1922. Four years later there were 36 such banks in existence, with aggregate resources of more than $126,500,000. Furthermore, deposits had increased from $697,243 on June 30, 1920, to $109,000,000 on June 30, 1926.

Beginning with 1926 terminations began to exceed initiations of labor banks, and a gradual downward trend became evident.

By June 30, 1930, there were 14 labor banks, and at the present time, there are four: the Amalgemated Trust & Savings Bank of Chicago (established 1922); Brotherhood State Bank of Kansas City (established 1924) Union National Bank of Newark, N. J. (established 1925); and the Amalgamated Bank of New York, established in 1923. As of the close of 1947, these banks reported on the table appended on this page.

	----000 omitted---- Capital, Surplus and Undivided Profits	Deposits
Amalgamated Trust & Savings Bank, Chicago	$1,787	$34,289
Brotherhood State Bank, Kansas City	482	10,090
Union National Bank, Newark	528	13,234
Amalgamated Bank of New York	2,100	35,923
Totals	$4,897	$93,536

Since 1920, the development of labor banks in the United States, by 5-year periods from 1920 to 1946, has compared as follows:

	Number of Banks	Capital, Surplus and Undivided Earnings	Deposits	Total Assets
Dec. 31:				
1920	2	$1,154,446	$2,258,561	$3,628,867
1925	36	12,536,901	98,392,592	115,015,273
June 30:				
1930	14	7,217,836	59,817,392	68,953,855
1935	4	2,051,943	17,262,281	19,692,385
1940	4	2,684,911	23,847,294	26,931,651
1945	4	3,428,078	72,776,529	76,509,121
1946	4	4,353,648	86,651,036	91,544,888

Source--Monthly Labor Review, U. S. Department of Labor, May, 1947.

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LAC (OR LAKH)

A money of account in India, equivalent to 100,000 rupees. The international currency unit of India is the rupee (see Foreign Moneys--India).

LAISSEZ-FAIRE

Literally, let be, or let alone. A term used in classic economics, beginning with Adam Smith, meaning business and industrial freedom, and a minimum of intervention by government in business affairs. This implies: (1) freedom of competition; (2) freedom of contract; (3) freedom of initiative and vocation; and (4) freedom of bequest and inheritance.

LAMB

An expression which signifies an inexperienced speculator who "plays the market", i. e., speculates blindly. Such a person is called a lamb because he follows the herd, buying or selling because others do so, and, therefore, likely to be easy "prey" to losses. His transactions are not based on a knowledge of fundamental conditions, or of intrinsic values, equities, or earning power, but upon "tips" or hazy impressions. He trusts largely on chance, betting on the rise and fall of quotations. Whenever a lamb makes a profit it is more accidental than otherwise. The Securities Act of 1933, the Securities and Exchange Act of 1934, the Commodity Exchange Act, and similar protective legislation aimed at fraud and manipulative practices cannot guarantee, of course, successful speculative operations or prudent investment by the lamb.

LAME DUCK

An expression to denote a person who has become

financially embarrassed—especially used with reference to speculators.

LAND BANK COMMISSIONER

One of the top level supervisory officials in the Farm Credit Administration (q.v.). The Farm Credit Administration is headed by its Governor, and further consists of a Deputy Governor and four Commissioners, each supervising his specialty: the Land Bank Commissioner, Intermediate Credit Commissioner, Cooperative Bank Commissioner, and Production Credit Commissioner. The Land Bank Commissioner, acting through the Federal Land Banks as agents, directly participated in lending operations through extension of Land Bank Commissioner loans (q. v.).

LAND BANK COMMISSIONER LOANS

From May 13, 1933, to March 17, 1934, Land Bank Commissioner loans to farmers were made from the $200,000,000 fund which was made available to the Land Bank Commissioner by Section 32 of the Emergency Farm Mortgage Act of 1933. Beginning March 17, 1934, the loans were made from the $2,000,000,000 bond authorization of the Federal Farm Mortgage Corporation, as provided in Section 9 of the Federal Farm Mortgage Corporation Act, of which $600,000,000 could be used for this purpose. Authority to make Land Bank Commissioner loans expired July 1, 1947. Advances from these funds were to be used for refinancing indebtedness, for providing working capital for farm operations, and for enabling farmers to redeem or repurchase property which had been lost through foreclosure. The loans were granted upon the security of first or second mortgages upon real estate and personal farm property in contrast with Federal Land Bank mortgages which can be made only on the security of first mortgages on land and permanent improvements. The amount of a Commissioner loan, together with all prior mortgages or other evidences of indebtedness against the property mortgaged, could not exceed 75 per cent. of the appraised normal value of the property. However, not more than $7,500 could be loaned to any one farmer. Interest rate could not exceed 5% or by more than 1% the current rate on Land Bank loans through national farm mortgage associations.

The Land Bank Commissioner was, therefore, empowered to make loans in cases which were ineligible for Federal Land Bank financing and also to supplement the credit extended by the Land Banks. It was the policy of the Commissioner to make loans only to the extent that Federal Land Bank Credit could not be granted. In many instances, farmers seeking to refinance their indebtedness were enabled to do so by means of a first mortgage loan from a Federal Land Bank supplemented by a second mortgage loan from the Commissioner. The total credit from the two sources could amount to as much as 75 per cent. of the appraised normal value of the property mortgaged.

From May 1, 1933 through December 31, 1947, a total of $1,217,782,212 in loans were made by the Land Bank Commissioner to 679,656 borrowers, of which $103,194,909 in loans, to 104,760 borrowers, were outstanding December 31, 1947.

(See Federal Farm Mortgage Corporation.)

LAND BANKS

This term refers to three types of institutions:

(1) Several experiments in so-called land banking were made in American colonial history. The earliest, established in 1681, was known as "The Fund at Boston in New England." In 1714 a more elaborate land bank was established, known as "A Projection for Erecting a Bank of Credit in Boston, New England, founded on Land Security." Following these two projects were the New London Bank in 1732, and the Land Bank of 1740. Each of these banks was founded on the principle that land could be made the basis of credit and currency, being the ultimate security and redemption value therefor. It was believed that paper currency could be collateraled by landed security, and that current redemption would be unnecessary. As a corollary of this belief, no capital was required in starting operations, but merely confidence. All the land bank experiments failed. It was not fully understood in this early period that credit or paper currency must be backed by actual specie, and that it must be redeemed in specie and not merely be a promise to pay based upon land as security.

(2) Some of the states have organized what are known as land banks for the purpose of assisting building and loan associations is raising capital to finance the building of homes. The Land Bank of the State of New York, for instance, is a non-stock cooperative corporation, the membership of which is composed of "savings and loan associations", "for the purpose of issuing and redeeming debenture bonds secured by first mortgages pledged by its members, and for otherwise promoting their interests."

Federal institutions supplying long term agricultural credit. (See Farm Credit Administration, Federal Land Banks, Federal Farm Loan System.

LAND BONDS

See Federal Farm Loan Bonds, Joint Stock Land Bank Bonds, Mortgage Certificates, Mortgage Loans, Real Estate Bonds.

LAND GRANT BONDS

A type of railroad bond secured by tracts of land granted to railroads by the Federal Government as well as by States and local governments. Federal land grants to railroads were discontinued after 1871, but States and local governments continued to give aid in land grants. As of 1930, total value of all aid to Class I railroads, as estimated by the National Transportation Committee, totaled $1,070 million, consisting of land grants of $876 million ($376 million sold and $500 million on hand), and $194 million in other aid. Land grants were utilized in bond financing by the railroads, sinking funds for retirement being created by sales of such lands to homesteaders. A non-callable issue still outstanding are the Northern Pacific Prior Lien and Land Grant 4s of 1997. (See Railroad Bonds.)

LAPSE

A term used in connection with insurance. An insurance policy is said to lapse when the policyholder fails to pay the premium when due or within the period of grace which is usually one month. Reinstatement of a lapsed policy is provided for by most companies upon the payment of a small sum, although in some cases, re-examination is required. Under most policies the holder is entitled to a "paid up" or "extended" insurance policy in case of lapse.

Ratio of ordinary life insurance lapses to total policies in force was 3.5% in 1947, compared with 2.8% in 1946 and 2.2% in 1944, and 8.3% average for the 1930s. Lapses on industrial policies have followed the same

approximate trend. Aggregate lapses have increased substantially since 1944, and the ratio to insurance in force has risen despite the large expansion in total life insurance outstanding. (See Insurance.)

LaSALLE STREET

The street in Chicago where most of the financial institutions are located; hence, by extension, a popular name for the Chicago financial district, as Wall Street is for New York, State Street is for Boston, and Lombard Street for London. LaSalle Street is another name for financial Chicago.

LATIN MONETARY UNION

See Latin Union.

LATIN UNION

A union formed in December, 1865, consisting of France, Belgium, Italy and Switzerland, which adopted a common decimal coinage system based upon the French franc equivalent to $0.193 in United States money, as the unit of value. Greece joined the Union in 1868. These five nations agreed to accept without distinction, and to use as interchangeable, gold pieces not reduced in weight by natural abrasion more than 1/2 per cent. Five franc silver pieces conforming to certain conditions were also acceptable without distinction and were interchangeable. While the unit of value was the same in each country, it is known by different names; franc in France, Belgium and Switzerland, lira in Italy, and drachma in Greece. Other countries which adopted the system without joining the Union were Spain (peseta), Finland (finmark or markka), and Venezuela (bolivar).

The Latin Monetary Union definitely passed away with the end of 1926 after over 60 years of existence. In effect it had ceased to operate since the outbreak of World War I, and as early as 1921 its members signed a convention regulating the terms of its dissolution. But it was only in December, 1926, that Switzerland addressed a note to her partners informing them that she would consider the union terminated both in name and fact on December 31, and, none of the partners having raised opposition, the union terminated on that date.

The original treaty of 1865 made uniform the content, weight and form of the gold and silver currencies of the four countries signing it. Each was entitled to mint gold pieces of 100, 50, 10 and 5 francs and silver pieces of 5 francs without limit and each undertook to accept these coins indiscriminately, so that the treaty sanctioned bimetallism. The depreciation of silver caused much difficulty from almost the outset of the union, however, and in 1879 the principle of bimetallism was partly abandoned, it being agreed to stop the minting of silver coins, though the coins already existing continued to rank as legal currency with gold. This system, which has been called "lame bimetallism," prevailed up to the outbreak of World War I.

The war witnessed the practical disappearance of all gold coins in the countries of the Latin Union and even the silver ones vanished, except in Switzerland. With the depreciation of the French, Italian, Belgian and Greek currencies after the war, Switzerland found silver pouring into her territory from all sides, the tendency being accentuated by the fall in the price of silver. She had finally to prohibit the import of crowns emanating from the mints of the other partners to the union, but the crowns continued to come in secretly and in 1920 all but Swiss crowns were declared illegal currency.

After the retirement of the forbidden crowns, for which a period of three months was allowed, Switzerland found herself possessed of 225,000,000 francs in French, Italian, Belgian and Greek silver pieces, in addition to the silver already in the national bank. The countries concerned got together in 1921 and framed a convention for the solution of the problem, which involved the ultimate termination of the Latin Union. It was arranged with France that the 130,000,000 French silver francs in the possession of Switzerland should be held until January 15, 1927, after which they would be returned in instalments over a period of five years against 20,000,000 francs gold plus the balance in Swiss francs or in gold or in drafts on Switzerland. A similar arrangement was made with Italy and Belgium, except that Switzerland was given the right to melt down and transform into Swiss silver coins about half the Italian total of 65,000,000 francs and three-fourths of the Belgian total of 29,000,000. As for the Greek silver pieces, the amount was so small that it was arranged that the whole should be transformed into Swiss coins.

LAW, JOHN

See Mississippi Bubble.

LAWFUL MONEY

As defined in an opinion of the Attorney General of the United States, "The term Lawful Money is understood to apply to every form of money which is endowed by law with legal tender quality."

The Joint Resolution of Congress dated June 5, 1933 amended the AAA Farm Relief and Inflation Act of May 12, 1933 to provide as follows: "All coins and currencies of the United States (including Federal Reserve notes and circulating notes of Federal Reserve banks and National banking associations) heretofore or hereafter coined or issued, shall be legal tender for all debts, public and private, public charges, taxes, duties, and dues, except that gold coins, when below the standard weight and limit of tolerance provided by law for the single piece, shall be legal tender only at valuation in proportion to their actual weight." Gold coins no longer circulate in accordance with the Gold Reserve Act of 1934 and Treasury orders.

Every Federal Reserve Bank is required to maintain reserves in gold certificates or lawful money of not less than 35% against deposits and reserves in gold certificates of not less than 40% against its Federal Reserve Notes in actual circulation. Present type of gold certificates outstanding are permitted to be held by Federal Reserve Banks only, representing in effect the gold credits which the Treasury gave the Federal Reserve Banks when it took over all monetary gold in the United States in accordance with the Gold Reserve Act of 1934.

Federal Reserve Notes, the largest type of paper currency outstanding, are now specifically legal tender, in accordance with Joint Resolution of June 5, 1933. Section 16 of the Federal Reserve Act still provides that Federal Reserve Notes shall be redeemed in lawful money on demand at the Treasury Department of the United States, in the city of Washington, District of Columbia, or at any Federal Reserve Bank. Silver certificates are the next largest type of paper currency in circulation, and like all other coins and currencies, are legal tender in accordance with the Joint Resolution of June 5, 1933.

Accordingly, the former distinction between lawful money and non-legal tender has been eliminated by the Joint Resolution of June 5, 1933. (See Legal Tender.)

LEAD FUTURES

Contracts in lead futures were until recently traded on the Commodity Exchange, Inc., New York City, but trading has been suspended. The trading unit was 60,000 lbs., constituting one contract. Price changes were registered in multiples of 1/100th of 1¢ per pound, with the daily trading limit being 3/4¢ above or below previous close, or maximum range of 1 1/2¢. The seller had the option of delivering any one of the brands or markings included in the official list of the Exchange, in one of the following grades: Corroding Lead, Chemical Lead, and Common Lead (Desilverized and Soft or Prime Soft). Premiums and discounts depended upon the place of delivery. (See Commodity Exchange, Inc.)

LEASE

A contract granting or letting the possession of lands, buildings, tenements, offices, machinery, or other chattels for a specified fixed or indeterminate period, for a stated consideration, usually a periodical payment known as rent, or, in the case of land, as ground rent. After the expiration of a lease, the property reverts to the original owner. Lease contracts are usually in writing and in most states are required to be in writing, if for more than one year's duration. The contract usually sets up the relationship of landlord and tenant or owner and renter. Business properties, especially railroads, are frequently leased as a method of securing control over subsidiary lines, or to effect a combination; thus the Boston & Albany Railroad is leased to the New York Central Railroad for 99 years. Railroad equipment is also, to a very large extent, leased by railroad companies from equipment companies, the transaction being financed by equipment trust obligations which are paid off by rental payments.

The term lease is applied both to the property which is leased and the contract granting possession of the leased property. The person granting the lease is the lessor and the person taking the lease (possession of the property) is the lessee.

LEASEHOLD

The legal estate of the lessee under a lease, also known as an estate for years. Generally speaking, leasehold bonds among real estate bonds are not well regarded, because of the fixed duration of the term of the lease, unless supplemented by options to renew in the lessee, and because of the vulnerability of the leasehold which is the security to default on the part of the lessee under the varied provisions of the lease. Leasehold bonds are in effect junior to rental payments under the lease. (See Real Estate Bonds.)

LEGACY

A gift of money or other personal property made by the will of a Testator (q.v.). Legacies are of three kinds, specific, demonstrative, and general. A specific legacy is a gift of some specific article or particular part of the estate, which can be identified and distinguished from all others of the same nature, and is to be satisfied only by the delivery of such specific gift, e. g., a painting, ring, etc. A demonstrative legacy is a gift of a stated sum of money or of securities, payable out of a particular fund or security, e. g., a gift of $5,000 payable out of the proceeds of a certain described bond. It differs from a specific legacy because if the fund out of which the legacy is to be paid fails, recourse may be had to the general assets of the estate. A general legacy is a gift payable out of the general assets of the estate without reference to any particular fund or property. It does not call for the delivery of any particular piece of property and money gifts are usually construed to be general legacies. That portion of the estate remaining after the specific, demonstrative, and general legacies have been paid is known as the residuary estate.

The recipient of a legacy is known as a legatee, but a legacy may be void if the legatee dies before the testator, depending upon the wording of the will. In many cases the will leaves no doubt that the deceased legatee's gift is to pass on to the residuary.

Unless there is provision in the will to the contrary, if the assets of the estate are insufficient to pay all the debts there must be an abatement of the legacies. The deficiency will fall first upon the residuary estate and when this is exhausted the burden of the deficiency will rest pro rata on the general legacies. Specific legacies do not abate until the residuary estate and the amount equal to the sum of the general legacies has been exhausted. General legacies abate prior to demonstrative legacies, except when the fund out of which the demonstrative legacy is to be paid is insufficient, in which case the demonstrative legacy abates with the general legacies. In case, however, this fund is sufficient for the payment of the demonstrative legacy, the latter abates with the specific legacies. (See Will.)

LEGAL BONDS

A general term to denote bonds which are legal for investment by (1) savings banks; (2) insurance companies; (3) trust funds, or (4) to secure Government or other deposits. The term is indefinite because relative, since bonds may be legal for one purpose, but not for another, for investment by savings banks, but not for trust funds, or as collateral to secure State deposits, but not for Federal Government deposits. A bond, moreover, may be a legal investment for savings banks in one state but not in another. (See Legal Investment for Savings Banks, Legal Investments for Trust Funds, Legality of Securities.)

LEGAL HOLIDAYS

Days declared by law (statutes or proclamations) as being exempt from legal incidents, such as judicial proceedings; service of process; demand, payment or protest of negotiable instruments, etc. Also termed public holidays.

Each State has jurisdiction as to the declaration of legal holidays to be observed within its borders. The President of the United States and Congress proclaim or legislate legal holidays for the District of Columbia and Federal Government offices throughout the country.

Besides Sunday, the following legal holidays are observed by all the States as well as the District of Columbia: January 1 (New Year's Day); February 22 (Washington's Birthday); July 4 (Independence Day); first Monday in September (Labor Day); fourth Thursday in November (Thanksgiving Day); December 25 (Christmas).

For a detailed list of legal holidays in the United States and elsewhere in the world, see:

Guaranty Trust Co. of N. Y.: Bank and Public Holidays Throughout the World, 1947.

(See Bank Holidays.)

LEGAL INVESTMENTS FOR SAVINGS BANKS

Savings banks are restricted by State laws in the in-

vestment of deposits to certain types of securities, largely fixed income producing and of conservative quality. The chief reason for such supervision is to prevent speculation with savings deposits and to enforce conservatism, and thus to make savings banks as "fool-proof" as possible. Even in States which prescribe a legal list of investments, however, the selection of particular securities which appear on the legal list is still a function and responsibility of savings bank management.

First mortgage loans are made legal investments in all States, as well as investment in Government, State and municipal bonds. Railroad bonds and equipment trust obligations, and public utility (electric, artificial gas, natural gas and telephone companies) obligations are generally eligible. Bank stocks are permitted investments in New England States, but stocks in general are not legal investments for savings banks except in some financially less important States. Loans secured by mortgages and securities themselves eligible for investment are generally legal, as are bankers acceptances, bills of exchange, and loans secured by pass book. Direct investment in real estate is generally not permitted except for real estate acquired as a place of business for the savings bank.

In New York, a legal list State, Section 35 of the Banking Law prescribes that in each year the Superintendent of Banks shall mail to each savings bank a list of securities which in his judgment conform to the requirements of the Banking Law relating to legal investments for savings banks. In addition, the Superintendent lists those investments which have been made legal by Banking Board authorization as provided by subdivision 1 (f) of Section 14 of the Banking Law. Under that subdivision of Section 14, the Banking Board can authorize savings banks to invest in corporate interest bearing obligations not otherwise eligible for investment, provided application for such authorization shall have been made by not less than 20 savings banks or by a trust company (see Savings Bank Trust Company) all of the capital stock of which is owned by not less than 20 savings banks. Any authorization made pursuant to this subdivision may be revoked upon a majority vote of all of the members of the Banking Board. This extra-legal list is designed to afford relief from the rigidity which is characteristic of legal list requirements.

Under Section 235 of the New York Banking Law, the following investments are specified as legal for savings banks:

1. Obligations of the United States, or those for which the faith of the United States is pledged to provide for the payment of interest and principal.

2. All legally issued full faith and credit obligations of New York State.

3. All legally issued full faith and credit obligations of the other 47 States and the Territory of Hawaii.

4. All legally issued full faith and credit obligations of any city, county, town, village, school district, poor district or fire district in New York State.

5a. Obligations (excluding non-negotiable warrants) of counties, cities and school districts in adjoining States, such cities or counties having a minimum population of 10,000; having had no default within 25 years preceding investment; and having a maximum net debt of 12% of real property valuation. Under this statutory provision, the Superintendent lists certain legally issued full faith and credit obligations (excluding non-negotiable warrants) of cities, counties and school districts in the States of Connecticut, Massachusetts, New Jersey, Pennsylvania, Rhode Island and Vermont.

5b. Obligations (excluding non-negotiable warrants) of counties, cities and school districts in non-adjoining States; such cities having been incorporated at least 25 years and having had no default within 25 years preceding investment; having population of not less than 30,000, provided, that cities with population of less than 45,000, or school district or county, shall have power to levy taxes on taxable real property without limitation of rate or amount; having a maximum net debt of 12% of real property valuation.

5c, 5d, 5e, and 5f qualify further the requirements of 5a and 5b. Indebtedness of any county shall not exceed 5% of real property valuation. Where there is no county wholly or in part within a city, or if the county wholly or in part within a city has neither any indebtedness nor power to incur indebtedness, such a city or adjoining school district may have a maximum net debt of 15% of real property valuation.

Obligations of any city which has taxable real property valuation in excess of $200,000,000, and minimum population of 150,000; and any school district or county including or adjoining such city, are not subject to the above debt limits, provided such city, county or school district has power to levy taxes on taxable real property without limitation of rate or amount.

Obligations of all places under subdivision 5 of Section 235 issued after the year 1938 shall be legal for purchase only if the issuing municipality has power to levy taxes on the taxable real property therein for the payment of such obligations without limitation of rate or amount. However, the investment status of any limited tax obligations issued prior to January 1, 1939 was not affected by this requirement. Obligations of certain places designated by the Superintendent, regardless of date of issue, shall be legal for purchase only if the issuing municipality has such power to levy taxes on the taxable real property therein for the payment of such obligations without limitation of rate or amount.

6a. Bonds and mortgages on improved unencumbered real property situated in New York State, issuable up to 60% of appraised value of such improved real property, and up to 66 2/3% of appraised value if such real property is improved for residential, business, manufacturing or agricultural purposes.

6aa. Bonds and mortgages up to 80% of the first $10,000 of appraised value and 50% of remainder if any of appraised value, amortized on a 20-year basis, of real property located not more than 50 miles from principal office, improved by single family residence constructed not more than 2 years before making of the loan and occupied by owner.

6b. No restrictions apply to investment in bonds and mortgages on real property in New York State or in any adjoining State insured by the Federal Housing Commissioner.

6h. Notwithstanding the above limitations, any savings bank may invest in bonds and mortgages on real estate situated in an adjoining State located within 25 miles of principal place of business, made on the bases specified in 6a.

7a. First mortgage bonds upon terminal, depot or tunnel property, and fixed interest bearing bonds secured by direct mortgage, of railroads located in the United States, direct or assumed, including equipment trusts; having at least 500 miles of line; annual revenues of at least $10,000,000; shall have earned fixed

charges at least 1 1/2 times in previous year and in 5 out of 6 previous years; shall have paid cash dividends equal to 1/ 4th of fixed charges, or earned fixed charges at least 1 1/2 times in previous year and in 9 out of the 10 previous years; shall have had no default in the past 6 years.

Other obligations (income mortgage bonds, collateral trust bonds, other secured obligations, or unsecured bonds or obligations issued, assumed or guaranteed) of railroads, provided that in at least 5 of the preceding 6 years and in the last fiscal year next preceding investment, amount available for fixed charges shall have been not less than 2 times the sum of fixed charges and full interest on such income mortgage bonds; net income of which after such deductions shall have made, has been not less than $10,000,000.

Under Section 7a, the obligations of any railroad corporation which failed to earn its fixed charges as required above in any or all of the fiscal years beginning in the years 1931, to 1939, inclusive, were not made ineligible, provided income available for fixed charges has been at least equal to such fixed charges in each year for at least 5 of the 6 fiscal years and in the last fiscal year next preceding the date of investment.

Also, Section 7b provides that any savings bank which prior to April 1, 1938 acquired any railroad obligations eligible at the date of acquisition could continue to hold such obligations as though the same continued to be eligible for new investment.

8. Promissory notes payable to the order of the savings bank within 90 days from date, secured by mortgages or investments legal for investment, or savings bank deposits, provided the amount of the loan is not over 90% of principal sum of the mortgages or of the market value of the securities, and not in excess of the amount on deposits; or made to a savings and loan association incorporated at least 3 years and having accumulated capital of at least $50,000.

9. Real estate for the transaction of business by the savings bank.

10. Bonds of the Savings and Loan Bank of the State of New York.

11. Fram loan bonds, including consolidated bonds, issued by Federal Land Banks and Federal Intermediate Credit Bank debentures, including consolidated debentures, issued by Federal Intermediate Credit Banks.

12. Bankers acceptances and bills of exchange eligible for purchase in the open market by Federal Reserve Banks which have been accepted by a bank, a trust company, a national bank having its principal office in New York State, or by an investment company.

13. Mortgage bonds of electric, artificial gas and natural gas companies, incorporated under United States or State laws; deriving at least 75% of gross revenues under franchise from such electric or gas business and not over 15% of gross from any other business, which have 5-year average operating revenues of at least $1,000,000; which have earned interest charges at least 2 times in previous year and on an average for 5 previous years; which show income available for dividends of at least 4% on two-thirds of the funded debt; having capital stock equal to at least two-thirds of the total debt secured by mortgage lien on any part or all of the property; shall have been in existence at least 8 years, next preceding date of investment; such bonds to be part of a minimum issue of $1,000,000, represent a first or refunding mortgage, not exceeding 60% of the value of physical property pledged.

14. Mortgage bonds of telephone companies incorporated under United States or State laws; in existence for at least 8 years, and having had no default for at least within 8 years; having capital stock equal to at least two-thirds of the total debt secured by mortgage liens on any part or all of its property; having annual operating revenues of at least $5,000,000; shall have earned fixed charges at least 2 times for a period of 5 years next preceding investment and for last fiscal year preceding investment; shall leave earned for each of 5 preceding years, an amount available for dividends or paid in dividends equal to 4% of outstanding capital stock; such bonds to be part of a minimum issue of $5,000,000, and represent a first or refunding mortgage not in excess of 60% of the value of physical property pledged.

15. Bonds, debentures, consolidated debentures or other obligations of any Federal Home Loan Bank or banks.

16. Stock of a Federal Reserve Bank in the amount necessary to qualify for membership in such bank.

17. Stock of a Federal Home Loan Bank in the amount necessary to qualify for membership in such bank and in such additional amounts as are approved by the Banking Board.

18. Stock, capital notes and debentures of any trust company and of any other corporation organized under the laws of New York State, to the extent and upon such conditions as are or have been authorized by the Banking Board, provided all of the stock of such trust company or corporation is or is to be owned by not less than 20 savings banks; and any participation certificates or any other form of participation, though junior in interest, issued by any such trust company in its individual capacity or as trustee, or by any such corporation, and representing participations in first mortgages assigned by savings banks in payment of stock, capital notes or debentures of any such trust company or any such corporation, or assigned in connection with the sale of mortgages by such savings bank to such trust company or such corporation.

19. Securities of corporations whose securities are made eligible for investment by savings banks by the Banking Board.

20. Any part interest in bonds and mortgages held by, or any bonds or notes secured by mortgage to, any trust company or any other corporation all of the capital stock of which is held by not less than 20 savings banks of New York State, and insured by the Federal Housing Commissioner. A savings bank may receive and hold such debentures as are issued in payment of such insurance, and the restrictions of subdivision 6 of Section 235 shall not apply to investments made pursuant to this subdivision, but such investments shall be limited to mortgages on real property located in New York State or in any State adjoining the State of New York.

21. Stock or obligations of any corporation organized under any law of New York State for the purpose of acquiring, constructing or maintaining, operating, selling or conveying, a housing project, not including hotels but including accommodations for retail stores, shops, offices and other community services reasonably incident to such project, located within New York State, to the extent and upon such conditions as may be prescribed by the Banking Board, provided that all such stock and obligations of any such corporation have been or are originally issued to savings banks of New York State or to a corporation organized under the laws of New York State and all of the stock of which is owned by not less than

20 savings banks and which is subject to the supervision of the Banking Department.

22. Certificates of investment in savings bank life insurance fund.

23. Certificates representing advances to the surplus fund of the life insurance department of the savings bank.

24. Obligations issued or guaranteed by the International Bank for Reconstruction and Development.

Under Section 235a of the Banking Law, New York State savings banks could at any time prior to July 1, 1947 make loans to owners of real estate for the purpose of rehabilitating or modernizing buildings located thereon, the major portion of which buildings is to be used for non-transient residential purposes. Such loans must be secured by mortgage upon such real estate, and the amount of such loan, when added to the amount unpaid on all prior mortgages, liens and encumbrances, must not exceed 66 2/3% of the appraised value of such real estate. Such loans must be made for the purpose of rehabilitating or modernizing income producing real estate, and must be fully repaid, both as to principal and interest, within a period not exceeding 5 years from the date of such loan. Further, a committee of at least two trustees of the savings bank must certify that in its opinion, the income from such real estate is, or as a result of the allocation of the loan will be sufficient to pay all costs of operation of such real estate, all taxes thereon, and all interest and other carrying charges on any indebtedness secured by such real estate, and to pay all interest on, and effect full repayment of the principal of such loan within 5 years from the date that such loan is made. The buildings must be located within the State of New York and not more than 50 miles from the principal office of the savings bank. In addition to direct loans, a savings bank could invest in stock and obligations of a corporation all of the stock of which is owned by such savings bank or by such savings bank and one or more other savings banks of New York State, to such extent and upon such conditions as the Banking Board shall prescribe.

Maximum proportions of total assets that may be invested in by savings banks in the various types of legal investments are:

Bonds and mortgages (not applicable to FHA insured mortgages)	65%
Railroad obligations	25%
Electric and gas obligations	10%
Telephone obligations	10%
Real estate (for transaction of business)	25%(of surplus fund)
Housing projects (or 50% of surplus fund, whichever is less)	5%
Modernization and rehabilitation loans	1%

Acceptance and deposit liability of any bank, trust company or national bank, or acceptance liability of any investment company, in connection with bankers acceptances and bills of exchange invested in by a savings bank, may not exceed 25% of capital and surplus of such bank, trust company, national bank or investment company, or 5% of aggregate amount of deposits of the savings bank, whichever is smaller.

In addition to the above legal investments under Sections 235 and 235a of the Banking Law, New York State savings banks are authorized to invest in obligations of various public authorities, many of the provisions of law authorizing such investments having been consolidated in the New York Public Authorities Law.

(See Institutional Securities Corporation, Savings Banks, Savings Bank Trust Company.)

LEGAL INVESTMENTS FOR TRUST FUNDS

Statutes of nearly all States prescribe the investments that shall be legal for a trustee. The trustee's investing duty may be primarily controlled by instructions of the settlor (creator of the trust) contained in the trust instrument: (1) the instructions may specifically name the investments in which the trustee shall invest; (2) retention of the investments made by the settlor and conveyed in trust may be directed; or (3) the trustee may be given full discretion to invest. In following directions of the settlor, the trustee is required by the courts to exercise ordinary care and skill. Courts also may intervene to authorize trustees to take different action if following the settlor's directions would be of disadvantage to the beneficiaries. Also, the courts hold trustees to a strict construction of the settlor's directions which deviate from usual trustee investments.

Where there are no settlor's instructions or Court directions otherwise, the State statutes may govern, depending on whether they are mandatory or permissive. If mandatory, the State statutes govern. If permissive, the Statutes may be followed by the trustee, but even if he does so, he must still show exercise of reasonable care. The trustee may choose to invest outside the statutes, but if so, he must show exercise of reasonable care and skill. Besides trustees under formal trust instruments, executors, administrators and other persons holding trust funds for investment are subject to State statutes.

Executors, administrators and testamentary trustees in New York are governed by Section 111 of the Decedent Estate Law; and other trustees or persons holding trust funds for investment, by Section 21 of the Personal Property Law, both similar statutes. Legal investments for trust funds under these permissive statutes are:

1. Except investments as authorized by Subdivision 21 of Section 235 of the Banking Law (housing project corporations), the same kind of securities as those in which savings banks of New York State are authorized to invest, including mortgage bonds and notes insured by the Federal Housing Administrator or any part of an issue thereof.

2. Deposits in the special interest or thrift department of National banks located in New York State, or of banks or trust companies organized under New York State laws, or with savings banks incorporated under New York State laws.

No such investment, however, of the funds of any one estate or fund in any one national bank, bank, or trust company shall exceed $5,000.

3. Shares of a Federal savings and loan association organized under the Home Owners Loan Act of 1933 and having an accumulated capital of $100,000 or more; and shares of a savings and loan association having an accumulated capital of $100,000 or more, organized under New York State laws.

No such investment, however, of the funds of any one estate or trust in any one association shall exceed $10,000 .

4. Bonds and mortgages on unencumbered real property in New York State worth 50% more than the amount loaned thereon.

Such restrictions as to location and percentage of value of the real property shall not apply to bonds and mortgages insured by the Federal Housing Administrator.

New York State further authorized trustees to require such personal bonds or guaranties of payment of principal and/or interest to accompany investments as may seem prudent, and in this connection, the trustee is given power to modify or release such guaranties, and to charge to income all premiums paid for such guaranties or fees for servicing mortgages, provided such charge is not more than 1/2 of 1% per annum of par value of the investments. Such guaranteed whole mortgages were actively offered by title and mortgage companies in New York prior to the real estate phase of the depression.

Trustees are also authorized, when holding a share or part of a bond and mortgage whose underlying property is bid in at foreclosure sale or acquired by voluntary conveyance, to join with other holders in conveying their undivided interest to a corporation formed to take over the property, and accept pro rata share of stocks and bonds of the corporation. Such corporation shall be a business corporation, but shall be prohibited by its certificate of incorporation from investing in bonds, stocks or other securities, other than real estate, which are not under New York laws legal investments for trust funds. Upon sale of the real property by the corporation, it shall be dissolved and final liquidation be effected in cash.

The statute, however, no longer permits the purchase of mortgage participations by trustees, although trustees are permitted all the powers heretofore had with respect to parts of bonds and mortgages for the protection and preservation of the trust property. A 1936 amendment stated that "It is the intention of this act to prohibit any future investments in parts of bonds and mortgages for any estate or fund, for which such executor, administrator, trustee or other person may hold trust funds to invest."

Finally, a 1938 amendment, effective April 1, 1938, states that no fiduciary shall be liable for any loss incurred with respect to any investment not eligible by law for the investment of trust funds: (1) if such ineligible investment was received by the trustee under the terms of the instrument creating the trust; (2) if such ineligible investment was eligible when received, or when made by the trustee; provided the trustee exercises due care in the disposition or retention of any such ineligible investment.

The New York statutes may be taken as representative of the "strict" States, as compared with States at the other extreme which merely require trustees to use good faith, diligence and care in the investment of trust funds.

The Board of Governors of the Federal Reserve System has the power to grant by special permit to National banks applying therefor, when not in contravention of State or local law, the right to act as trustee, executor, administrator and other fiduciary capacities in which State banks, trust companies or other corporations which come into competition with National banks are permitted to act under the laws of the State in which the National bank is located. Whenever the laws of such State authorize or permit the exercise of any or all of these powers by State banks, trust companies or other corporations which compete with National banks, Section 11 (k) of the Federal Reserve Act provides that the granting to and the exercise of such powers by National banks shall not be deemed to be in contravention of State or local law within the meaning of the Act.

(See Legal Investments for Savings Banks; Trust Department.)

LEGAL OPINION

One of the risks which a bond buyer assumes concerns the legality or validity of the issue he contemplates purchasing. The legality of bonds is extremely important, because without it there may be no legal means by which investors' money may be recovered. To avoid further difficulties, whenever a corporation bond issue is underwritten, the legal phases are examined by the corporation's counsel or by outside attorneys, and in the case of municipal bonds, by the attorney for the underwriting bond house.

In addition to the legal work done by the issuer's attorney, the underwriting house, as the purchaser of an issue of bonds, usually selects a special bond attorney, whose fees are paid by the issuer, to render a final approving opinion. This final opinion is secured because the nationally known attorney's opinion forms the basis for bank loans and trustee investments. The dealer and investor should also distinguish between the "preliminary" and "final" attorney opinion which is acceptable to a bank when these bonds are to be used as collateral for a loan. Some law firms make a specialty of giving legal opinions upon bond issues, consequently on bond circulars very often appears the phrase, "We have the legal opinion of ——", or "legality approved by ——". The legal opinion is related to the engineer's report and both are necessary features in the successful marketing of a bond issue. The first is a statement of legality, the second a statement of the technological condition of the corporation's property. (See Legality of Securities.)

LEGAL RATE OF INTEREST

The maximum rate of interest fixed by the laws of the various States, which a lender may charge a borrower for the use of money. Interest charged in excess of the legal rate is called Usury (q.v.), which is penalized in varying degree by the laws of the various States.

Nominally, National banks are restricted by the Revised Statutes to a maximum rate of 7%, but State interest and usury laws are applicable to National banks in fixing the legal rate of interest for the particular State wherein the National bank operates, and since all States prescribe legal rates of interest, National banks are required to conform therewith. However, the penalty prescribed by Section 5198 of the Revised Statutes for National banks taking usurious interest is exclusive and controlling over State laws.

Section 5198 of the Revised Statutes prescribes that the taking, receiving, reserving or charging of a rate of interest greater than is allowed, when knowingly done, shall be deemed a forfeiture of the entire interest which the note, bill or other evidence of debt carries with it, or which has been agreed to be paid thereon. In case the greater rate of interest has been paid, the person by whom it has been paid or his legal representative may recover back, in an action in the nature of an action of debt, twice the amount of the interest thus paid, from the National bank taking or receiving same. Such action,

however, must be commenced within 2 years from the date the usurious transaction occurred.

Because of the diversity of State laws and their provision for exceptions and qualifications, tabulation of maximum State legal and contract rates of interest can only be indicative of nominally stated rates, and reference must be made to the basic laws of each State for complete details. The following tabulation, nevertheless, lists the nominally stated legal rates and contract rates of interest for the various States and territories:

State of Territory	Legal Rate	Contract Rate
Alabama	6%	8%
Alaska	6	10
Arizona	6	8
Arkansas	6	10
California	7	10
Colorado	6	Unlimited(a)
Connecticut	6	12
Delaware	6	6
District of Columbia	6	8
Florida	6	10(b)
Georgia	7	8
Hawaii	6	12
Idaho	6	8
Illinois	5	7
Indiana	6	8
Iowa	5	7
Kansas	6	10
Kentucky	6	6
Louisiana	5	8
Maine	6	Unlimited(a)
Maryland	6	6
Massachusetts	6	Unlimited
Michigan	5	7
Minnesota	6	8
Mississippi	6	8
Missouri	6	8
Montana	6	10
Nebraska	6	9
Nevada	7	12
New Hampshire	6	Unlimited
New Jersey	6	6
New Mexico	6	10(c)
New York	6	6
North Carolina	6	6
North Dakota	4(d)	7
Ohio	6	8
Oklahoma	6	10
Oregon	6	10
Pennsylvania	6	7(e)
Rhode Island	6	30
South Carolina	6	7
South Dakota	6	8
Tennessee	6	6
Texas	6	10
Utah	6	10
Vermont	6	6
Virginia	6	6
Washington	6	12
West Virginia	6	6
Wisconsin	5	10
Wyoming	7	10

(a) If over $300.
(b) Bank or trust company loans under $1,500--6%, regardless of whether or not paid in instalments.
(c) 12% if no collateral.
(d) On judgments, 2% not compounded.
(e) Banks, 6%.

Source--National Association of Credit Men: Credit Manual of Commercial Laws, 1948.

Incidents of usury statutes for the various States may be summarized as follows:

Alabama--Penalty for usury, all interest is forfeited. Usurious interest paid is deducted from principal.

Alaska--Forfeiture of all interest; double the amount of usurious interest may be recovered if action is brought within 2 years.

Arizona--Forfeiture of all interest.

Arkansas--Maximum contract rate is prescribed in the State Constitution. Usury forfeits principal and interest.

California--Maximum contract rate is prescribed in the State Constitution. Forfeiture of all interest if over the contract rate of 10%, and treble amount of interest if over 12%.

Colorado--No provision for usury laws, except as applied to loans of $300 or less, under Small Loans Act.

Connecticut--Forfeiture of principal and interest; banks and trust companies and holders in due course exempted.

Delaware--Forfeiture of excess over 6% interest. No limit on demand loans of $5,000 and over secured by warehouse receipts, bills of lading, certificates of stock, certificates of deposit, bills of exchange, bonds or other negotiable instruments pledged as collateral security for such repayment.

District of Columbia--Forfeiture of all interest.

Florida--Forfeiture of all interest; forfeiture of all interest and principal when interest rate is over 25%.

Georgia--Forfeiture of all interest.

Hawaii--Forfeiture of all interest.

Idaho--Forfeiture of all interest, plus twice the amount of such interest.

Illinois--Forfeiture of all interest. No limit on demand loans of over $5,000, collateralized by certain securities.

Indiana--Forfeiture of excess over 6% on contracts calling for usurious interest.

Iowa--Forfeiture of all interest and 8% of amount of principal unpaid at time of judgment, latter for the school fund.

Kansas--Penalty is double the excess interest paid over 10%. Usury does not affect bona fide holders of negotiable paper without notice.

Kentucky--Forfeiture of excess over 6% (on loans over $300). All usurious contracts are void to the extent of the usury.

Louisiana--Forfeiture of entire usurious interest.

Maine--Any rate is legal if loan is over $300 and if agreed to in writing. No provisions for usury penalty.

Maryland--Forfeiture of excess over 6%, with interest thereon.

Massachusetts--No usury law. Any rate may be contracted for in writing, except: loans of $1,000 or less, rate not in excess of 18%; loans of $300 or less, rate not in excess of 12%, except as licensed.

Michigan--Forfeiture of all interest.

Minnesota--Entire usurious interest may be recovered in civil action brought within 2 years, half to plaintiff and half to public schools.

Mississippi--Forfeiture of all interest; all interest and principal when rate exceeds 20%.

Missouri--Recovery of excess over principal and legal rate, plus costs.

Montana--Forfeiture of double amount of interest charged.

Nebraska--Forfeiture of all interest and costs of action to recover.

Nevada--Agreement to pay more than 1% per month is void as to excess.

New Hampshire--No usury law. Small Loans Law applies to loans of $300 or less.

New Jersey--Penalty for usury is loss of all interest, plus costs of recovery.

New Mexico--Forfeiture of double amount of interest charged, if interest exceeds 12%, upon action brought within 3 years.

New York--No limit on collateral call loans of over $5,000. Usurious bonds, bills, notes, etc. are absolutely void; neither principal nor interest may be recovered. Interest in excess of legal rate which has been paid may be recovered in action brought within 1 year after payment. Borrower of money, goods or things taken under usurious contract is not required to pay or offer to pay any interest or principal on the sum or thing loaned. If lender is a bank, borrower may recover double the entire interest paid in action brought within 2 years. Banks charging usurious interest forfeit all interest but not principal.

North Carolina--Forfeiture of all interest due, if not paid; twice the amount of interest, if paid, in action brought within 2 years.

North Dakota--Penalty for usury is forfeiture of all interest paid and 25% of principal of the debt. Any person paying usurious rate may recover twice the amount of interest paid plus 25% of the principal, if action is commenced within 4 years from date of usurious transaction.

Ohio--Forfeiture of excess over 6%.

Oklahoma--Maximum contract rate is prescribed in the State Constitution. Forfeiture of twice amount of interest paid, if action is brought within 2 years after maturing of contract.

Oregon--Forfeiture of entire interest and of principal of debt to the county school fund.

Pennsylvania--Forfeiture of excess over 6%. Usurious interest can be recovered if suit is brought therefor in 6 months.

Rhode Island--Forfeiture of all interest and principal. Usurious contracts are void.

South Carolina--Forfeiture of all interest, plus costs of action. Lender is also liable for double the sum usuriously received.

South Dakota--Forfeiture of all interest.

Tennessee--Maximum contract rate is prescribed in the State Constitution. Forfeiture of excess over 6%.

Texas--All interest is forfeited. Double the amount of usury paid may be recovered in action brought within 2 years.

Utah--Usurious contracts are void as to both principal and interest. Payments made on usurious contract may be recovered if action is brought within 1 year.

Vermont--Forfeiture of excess over 6%.

Virginia--Forfeiture of excess over 6%. Usurious interest may be recovered if action is brought within 1 year.

Washington--Forfeiture of all interest, if not paid; double the amount of interest may be recovered if paid.

West Virginia--Forfeiture of excess over 6%. Usurious interest paid may be recovered, or may be credited to the amount due.

Wisconsin--Forfeiture of all interest. If interest is more than 10%, treble the amount of interest so paid above legal rate may be recovered if action is brought within 1 year.

Wyoming--Forfeiture of entire interest.

In all States except California, where specified classes of corporations may do so, corporations may not plead the defense of usury. Some 40 States have also enacted Small Loan statutes authorizing the lending of $300 or less at rates in excess of the legal or contract rates, but imposing licensing, regulation or supervision over such lenders. In addition, special legislation in many States exempts from provisions of the usury laws in varying degree such lenders as banks, pawnbrokers, credit unions, building and loan associations and other specified types of lenders.

LEGAL RESERVE

See Bank Reserve, Reserve.

LEGAL TENDER

Money of the character which by law a debtor may require a creditor to receive in payment of the debt, when tendered in the correct amount, and at the proper time and place.

The last sentence of paragraph (1) of subsection (b) of Section 43 of the AAA Farm Relief and Inflation Act of May 12, 1933, which section was popularly known as the Thomas Amendment, read as follows: "Such notes (United States Notes provided for) and all other coins and currencies heretofore or hereafter coined or issued by or under the authority of the United States shall be legal tender for all debts public and private."

This sentence was completely revised by Section 2 of the Joint Resolution of Congress of June 5, 1933, reading as follows: "All coins and currencies of the United States (including Federal Reserve notes and circulating notes of Federal Reserve banks and national banking associations) heretofore or hereafter coined or issued, shall be legal tender for all debts, public and private, public charges, taxes, duties, and dues, except that gold coins, when below the standard weight and limit of tolerance provided by law for the single piece, shall be legal tender only at valuation in proportion to their actual weight."

The Gold Reserve Act of 1934, approved January 30, 1934, declared the coinage of gold at an end, and vested title to all of the monetary gold stock in the Treasury of the United States. Gold coins were required to be turned in to the Treasury in accordance with this Act, and hence no gold coin is either coined or circulates domestically at the present time. Federal Reserve Bank notes and National bank notes are in process of retirement.

In addition to conferring legal tender power upon all coins and currencies, the Joint Resolution of June 5, 1933 also provided that "every provision contained in or made with respect to any obligation which purports to give the obligee a right to require payment in gold or a particular kind of coin or currency, or in an amount in money of the United States measured thereby, is declared to be against public policy; and no such provision shall be contained in or made with respect to any obli-

gation hereafter incurred." The Joint Resolution went on to specify that every obligation, theretofore or thereafter incurred, whether or not, such provision was contained therein or made with respect thereto shall be discharged upon payment, dollar for dollar, in any coin or currency which at the time of payment is legal tender for public and private debts. Then followed the "gold clause repeal", stating that "Any such provision contained in any law authorizing obligations to be issued by or under authority of the United States, is hereby repealed, but the repeal of any such provision shall not invalidate any other provision or authority contained in such law."

Constitutionality of the Joint Resolution of June 5, 1933 was upheld in the Gold Clause Cases (q. v.).

(See Lawful Money.)

LEGAL TENDER BONDS

Same as Currency Bonds (q. v.).

LEGAL TENDER NOTES

See United States Notes.

LEGAL TENDERS

See United States Notes.

LEGALITY OF SECURITIES

In civil issues (except Federal Government bonds), legality depends upon the following conditions:

1. Authority of issue. State and municipal bond issues must be authorized by the constitution or statutory law. Some issues require a legislative or popular vote.

2. Purpose of issue. Municipal bond issues must be for a public purpose.

3. Process of issue. Municipal bond issues must be sufficiently advertised; usually bid for competitively; sold at par or above; and not above a maximum interest rate.

4. Conformity to tax and debt restrictions. Municipal bond issues must conform to any constitutional or statutory restrictions on the debt limit for the obligor municipality, and taxes above a certain amount cannot be levied for the purpose of paying the interest or principal.

In corporation bond issues, authority of the stockholders is required in some states and notice of the stockholders' meeting in which the proposed bond issue is to be voted upon must be given. Corporation bonds may be issued for value only, and the statutes of some states provide for limiting the amount of a corporation's indebtedness. Charter and by-law provisions must be complied with, and mortgage provisions should be carefully drawn.

Railroad bond issues must be approved by the Interstate Commerce Commission, and public utility bonds must usually be approved by the Public Service Commission of the state in which the utility is located.

Government, municipal and railroad issues are exempt from the provisions of the Securities Act of 1933, but non-exempt new issues must conform with its requirements.

(See Legal Bonds, Legal Opinion.)

LEGATEE

See Legacy.

LEI

The plural of Leu (q. v.).

LEND LEASE

The Lend Lease Program was established March 11, 1941, pursuant to an act entitled "An Act to Promote the Defense of the United States", which authorized the President of the United States to aid Allied nations by permitting any agency of the Government to sell, transfer, exchange, lease, lend, etc. goods and supplies, both military and civilian, necessary for prosecution of the War. Departments and agencies which served as procurement agencies for the Program were the War Department, Navy Department, Maritime Commission, Procurement Division of the Treasury Department, and the Department of Agriculture.

The Program was carried on beyond the end of the War, and to July 31, 1946, an aggregate of $50,442 million was reported appropriated since inception for Lend Lease, including $2,017 million after V-J Day (September 2, 1945). Principal recipients of Lend Lease were the British Empire, $31,267 million, compared with $6,320 million in reverse Lend Lease to the United States; and Russia, $11,260 million, compared with $2 million in reverse Lend Lease. Total reverse Lend Lease since inception to July 31, 1946 aggregated $7,387 million, consisting of credits for shipping, railroad transportation and other services, foodstuffs, petroleum, and building of capital installations for the United States.

Lend Lease was one of the principal capital items during the War in the International Balance of Payments (q. v.).

LENDING FLAT

See Lending Rates.

LENDING RATE

This term is used in two connections:

(1) The rate at which money is loaned by banks as distinguished from the rate of interest paid on time and savings deposits. The lending rate is what the bank receives on its loans, while the deposit interest rate is an item of cost of the money which is loaned.

(2) The rate of interest paid by the lender of stock to the borrower who has sold it for short account for use of the money deposited with the lender of the stock as collateral for the stock loan. When stock is sold for short account (see Short Sale), that is, by a speculator who does not own it, such stock must be delivered to the buyer just as in the case of long stock. To do so, however, the broker who executes the sale must borrow such stock (either from a customer who owns it, from his own holdings, or from another broker or banker). The lender of the stock is willing to make the loan only upon cash security in an amount equal to the current market value of the stock. The incentive for lending the stock is that the lender is enabled to borrow funds in this way for the full market value of the stock whereas its collateral value would be not more than the current authorized "margin". But for the use of the money which is deposited with the lender of the stock by the borrower, the borrower receives interest.

The interest rates paid upon sums deposited with lenders of stock depend upon the current call money rates, but also depend upon the floating supply of the stock currently available. Of the active speculative stocks of corporations with large amounts of stock outstanding, there is normally a large floating supply so that no difficulty is experienced by short sellers in borrowing the stock. In such cases, lending rates are

normal. However, when short selling is active and vigorous (as, for example, in bear markets) it sometimes happens that the demand for certain stocks by short sellers is so great that there is difficulty in supplying their demands. In this case, owners of such stocks will take advantage of the situation by adjusting the rate of interest paid on the cash security for the loan of the stock to a lower rate. This is particularly true when the stock in question is in short supply and has an upward price tendency. If it is particularly difficult to locate stock to borrow against short sales, those who possess the stock may loan it without paying anything at all on the cash security which they receive. In extreme cases, the lender of stock may charge a premium over and above the free use of the cash security. When this is true, the stock is said to be lending at a premium, and occurs when the price of a stock has risen considerably above the level at the time the sale was made so that the lender of the stock would be able to borrow a larger amount on it.

The lending rates for important stocks are quoted in the financial newspapers from time to time, and are ascertainable at the brokers. The lending rate is indicative of the size of the short interest in a particular stock, and relative lending rates reflect the extent of the short interest in the market as a whole. When the short interest is small, the lending rates are large; when it is fairly large, stocks may lend "flat," i. e., no interest will be paid on the cash security deposited by the borrower of stock to the lender; and when the short interest is extremely large, stocks may lend at a premium, i.e., instead of paying interest on the cash security deposited with the lender, the lender may exact interest from the borrower for the loan of the stock.

A lending rate of 4 per cent. for a stock means that the lender of the stock pays the borrower (who has sold it short) the rate of 4 per cent. per annum on the cash security deposited with the lender of the stock which will be equal to the market value of the stock in question A "flat" rate means that the lender of the stock gets the use of the cash deposited as security for the loan of the stock without payment of any interest. One-eighth of one per cent. premium means that the lender of the stock receives one-eighth of one per cent. per day on the market value of the stock loaned in addition to the use of the funds deposited as security without interest. (See Borrowed Stocks, Short Sale.)

LENDING STOCKS

See Borrowed Stocks, Lending Rate, Short Sale.

LEPTA

The plural of Lepton (q. v.).

LEPTON

A Greek coin. (See Foreign Moneys, table 2.)

LESSEE

See Lease.

LESSOR

See Lease.

LETTER OF ADVICE

This term has two applications:

(1) A general term used in banking practice which refers to a letter of instructions written by one bank to a customer (bank, firm, or individual) concerning some transaction mutually affecting them, e. g., a letter requesting a correspondent bank to honor the checks of the former's customer, enclosing therein the customer's specimen signature, or letter to a foreign correspondent notifying it that a bill (fully described) has been drawn against it.

(2) A special class of remittance, whereby funds deposited by a first party are transferred (credited) to a second party for the use of a third. To illustrate the situation out of which a letter of advice might arise, suppose A. B. Company, brokers in New York City, have a branch office in Boston which keeps an account with the "Q" Bank of Boston, the latter being a correspondent of the "R" Bank of New York. The A. B. Company, however, does not have an account with the "R" Bank of New York. The most rapid, convenient, and economical method for the A. B. Company of New York to remit funds to its branch office in Boston is to deposit in cash, or by certified check, with the "R" Bank in New York the amount it wishes to make available with its branch office in Boston.

Two copies of letters of advice are made; the first entitled, "Letter of Advice" is addressed to the "Q" Bank in Boston in which the A. B. Company, Boston Branch, has an account. This states, "We credit your account for $..... which has been received from A. B. Company, New York, for the use of A. B. Company, Boston Branch." The second copy is a receipt containing the same information as the original, and is delivered to the A. B. Company, New York, the remitter. The funds may be made available the same day by a telegraphic advice, the letter of advice being forwarded by mail as a confirmation.

LETTER OF ALLOTMENT

See Allotment Notice.

LETTER OF CREDIT

See Letters of Credit.

LETTER OF HYPOTHECATION

See Hypothecation Certificate.

LETTER OF IDENTIFICATION

A letter given by the selling bank to a purchaser of a traveler's letter of credit which introduces him to the banks abroad which have agreed with the selling bank to honor all drafts drawn against the letter of credit. (See Identification, Traveler's Letter of Credit.)

LETTERS

A name given to deposit slips accompanying remittances (checks, matured drafts and notes, coupons, cash, etc.), for deposit forwarded by an out-of-town depositor by mail. Letters are of two sorts—cash and collection. Cash letters are those for which the depositor receives credit for the amount of the total footing upon receipt. This amount is subject to reduction for such amounts as may be subsequently unpaid when presented. Collection letters are those for which the depositor instructs the bank to postpone crediting his account therefor until such items have been reported paid.

Cash letters can be distinguished from collection letters by the difference in their wording and by the fact that in the case of cash letters the list of items is footed, whereas, in collection letters, they are not. Cash letters are usually worded as follows: "We enclose for credit",

or "We enclose for collection and credit." Collection letters are phrased, "We enclose for collection", "We enclose for collection and credit when paid", "Please report by number", "We enclose herewith for collection and credit items entered below. Please do not advise credit of items until actually paid." The majority of items forwarded for collection bear collection numbers by which they are always referred to when their payment is advised.

LETTERS OF ADMINISTRATION

An instrument in writing granted by a Probate (or Surrogate) Court to a person appointed as Administrator to settle the estate of a decedent who has left no will. These letters constitute the Administrator's legal authority to act. In case the deceased person was a testator, but the person named in the will as Executor is dead, incapable of acting, or declines to act "Letters of Administration with the Will Annexed" are granted. (See Administrator.)

LETTERS OF CREDIT

In the broadest sense, letters of credit are instruments by which a bank substitutes its own credit for that of individuals, firms, or corporations, to the end that domestic and foreign trade may be more safely, economically, and expeditiously conducted. In the case, American Steel Company vs. Irving National Bank (266 Fed. 41), the court defined a letter of credit as follows: "A letter requesting one person to make advances to a third person on the credit of the writer is a letter of credit. These letters are general or special. They are general if directed to the writer's correspondents generally . They are special if addressed to some particular person."

From a functional standpoint, banks recognize two classes of letters of credit, viz., commercial and travelers', and the above definition comprehends both classes. Since Traveler's Letters of Credit (q. v.) are treated under that subject only additional definitions of commercial letters of credit are given below.

A commercial letter of credit has been defined as "an instrument by which a banker, for account of a buyer, gives formal evidence to a seller of its willingness to permit him to draw on certain terms and stipulates in legal form that all such bills will be honored, is what has come to be known as a commercial letter of credit" (definition by the Board of Governors of the Federal Reserve System, in the Federal Reserve Bulletin).

The following is a somewhat more complete definition: an instrument drawn by a bank, known as the credit-issuing bank (and eventually the drawee bank), in behalf of one of its customers (or in behalf of a customer of one of its domestic correspondents), known as the principal (who guarantees payment to the credit-issuing bank), authorizing another bank at home or abroad, known as the credit-notifying or negotiating bank (and usually the payer bank), to make payments or accept drafts drawn by a fourth party, known as the beneficiary, when such beneficiary has complied with the stipulations contained in the letter.

A common form of commercial letter of credit is appended on this page.

Letter of Credit No. ....

$..... New York, ... , 19...

To the A. B. C. Company,
Paris, France.

Gentlemen:

Please note that under instructions from our principals .....
.....
and for account of .....
.....
we hereby open a revocable (irrevocable) Credit in favor of .....
to the extent of $..... available in .....
.....
draft(s) on .....
when accompanied by BILLS OF LADING for Merchandise .....
.....
INVOICE TO READ: .....
.....
and (other documents, if any) .....
.....

We hereby agree with bona fide holders that all drafts issued by virtue of this credit and in accordance with the above stipulated terms, shall meet with due honor upon presentation at the office of this bank if drawn and negotiated before ..... 19.....

It is a condition of the Credit that all shipments made herewith must fully meet all requirements, present and future, of our Government.

If the terms of the Credit are unsatisfactory to you in any detail, please communicate with your customers and have amended instructions sent to us.

This Credit will remain in force until .....
.....
unless previously revoked.

When drawing drafts against this Credit, or referring to it, please quote our number as above, and return this letter with the documents.

Terms of this Credit shall be interpreted in accordance with the regulations shown on the reverse side. (Generally, these are general rules adopted by the Seventh Congress of the International Chamber of Commerce, entitled "Uniform Customs and Practice for Commercial Documentary Credits.")

Yours respectfully,
Manager Foreign Department,
.....Bank.

Analyzed into its component elements it will be seen that a commercial letter of credit consists of (1) heading (2) address to the beneficiary, (3) promise to honor drafts, (4) tenor of drafts, (5) amount, (6) description of required documents, (7) nature of shipment, (8) expiration date, (9) privilege of cancellation, and (10) supplementary details, e. g., issue date, number, disposition of letter, and interpretation.

Commercial letters of credit are classified as to:

1. Direction of shipment.
   - a. Export
   - b. Import.
   - c. Domestic.
2. Security.
   - a. Documentary.
   - b. Clean.
3. Tenor of drafts drawn thereunder.
   - a. Sight.
   - b. Time.

4. Form of Letter.
   a. Straight.
   b. Revolving.
5. Form of Currency.
   a. Dollars.
   b. Sterling.
   c. Continental currency.
   d. Asiatic currency.
6. Privilege of Cancellation.
   a. Irrevocable-confirmed.
   b. Irrevocable - unconfirmed
   c. Revocable - unconfirmed
7. Payment of Principal.
   a. Paid.
   b. Guaranteed.

None of the above classifications is mutually exclusive. A letter of credit may, for instance, arise out of an import transaction, and be straight, documentary, 60 days sight, guaranteed, revocable-unconfirmed, and payable in dollars.

An export letter of credit is one arranged to finance the export of merchandise, while an import letter of credit finances the import of merchandise, etc.

A documentary letter of credit is supported by a bill of lading and relative papers, while a clean credit is not.

A sight letter of credit is one in which the draft drawn thereagainst is payable on presentation, while a time or acceptance credit is one in which the draft is payable only when the stipulated number of days after presentation for acceptance has elapsed.

A straight letter of credit is one issued to finance the shipment of specified merchandise and thereupon becomes void, while a revolving letter of credit automatically renews itself for the original stipulated amount each time a draft is drawn thereagainst, and does not exhaust itself until the expiry date.

A dollar letter of credit is one in which the amount is specified in dollars and in which the draft drawn thereagainst must be drawn in dollars, while a sterling letter of credit is one in which the draft drawn thereagainst is in sterling currency, etc.

A revocable letter of credit is one in which the credit-issuing bank reserves the right to rescind its obligation to honor drafts drawn by the beneficiary by the phrase "good till cancelled" or other similar expression. An irrevocable letter of credit is one in which the credit-issuing bank waives the right to revoke the credit prior to the expiry date, unless the consent of the beneficiary is obtained. The irrevocable letter of credit may be strengthened by having the notifying bank in the exporter's country add its own unqualified assurance that the credit-issuing bank's obligation will be performed, and that if the latter refused to honor the draft drawn against the credit, the notifying bank will pay or accept in any event. Such a letter of credit is known as irrecovable-confirmed. But if the notifying bank merely transmits the issuing bank's obligation to the beneficiary without confirming the latter's undertaking, thereby not making the issuing bank's commitment its own, then the letter of credit is called irrevocable-unconfirmed.

A paid letter of credit is one in which funds are deposited by the principal (buyer) with the credit-issuing bank at the time of issue, but this is of rare occurrence. A guaranteed letter of credit, which is the usual type, is one in which the principal guarantees payment of the amount of the draft to the credit-issuing bank at its maturity. (See Guaranty.)

In issuing letters of credit a bank is not called upon to part with cash, unless it discounts its own acceptances drawn under the terms thereof. The liability created in the issue of letters of credit is not restricted, but the Federal Reserve Act places a definite limitation upon the amount which a member bank may accept under such credits. (See Limitations on Acceptance Credits.)

From a review of decisions on commercial letters of credit the following principles may be deducted:

1. A letter of credit is not a negotiable instrument.
2. It does not create a trust fund in favor of the beneficiary.
3. An issuer of a letter of credit may not dishonor drafts presented by a negotiating bank under a clean irrevocable letter of credit if all the terms of the credit are fulfilled.
4. An issuer may dishonor bills drawn in violation of the conditions specified in a documentary letter of credit.
5. The negotiator is not liable for the genuineness either of goods or documents.
6. The issuer is responsible to the party requesting the credit for the observance of the conditions by the beneficiary.
7. The contract between the issuer and the beneficiary is entirely independent of the contract of sale between the buyer and seller, and the issuer can not, because of the seller's breach of contract of sale, refuse to honor drafts which comply with the terms of the letter of credit. (See Acceptance Credit, Traveler's Letter of Credit.)

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LETTERS TESTAMENTARY

An instrument in writing granted by a Probate (or Surrogate) Court, or other official authority having jurisdiction over the probate of wills, empowering the Executor named in a will to dispose of the estate in accordance with its terms. Letters testamentary make it known that the will in question has been properly proved and that the estate is in order to be settled. (See Executor, Will.)

LEU

A Roumanian coin. (See Foreign Moneys, table 2.)

LEV

A Bulgarian coin. (See Foreign Moneys, table 2.)

LEVA

The plural of Lev (q. v.).

LEVEE BONDS

Bonds issued by a municipality or levee district, usually the latter, the proceeds of which are used for the purpose of constructing or maintaining levees for the reclamation or protection of land from submergence by water. Levee bonds belong to the general class of bonds known as reclamation issues, e. g., drainage bonds, re-

clamation bonds, irrigation bonds, etc. Wherever they are the direct obligation of a city or town, they rank in investment value with the other issues of such municipality. When issued by a levee district, their investment status is similar to that of any other type of district bond. The investor should investigate the wealth of the issuing jurisdiction, the necessity for the construction, the property values added and the technological feasibility of the levee. As a class, levee bonds have proved fairly satisfactory, and yield a high rate of return. Most of these bonds have been issued by levee districts in the South, and particularly in the Mississippi Valley.

(See Municipal Bonds.)

LEVERAGE

A financial term used to designate the effect of "trading on the equity", i.e., use of senior capital in capitalizations, in the form of borrowed funds, bonds, or preferred stock, ranking ahead of the junior equity, the common stock. In addition to such capitalization leverage, there is operating leverage, provided by relatively fixed operating expenses relative to expanding or contracting sales or revenues; and also leverage provided by invested assets (for investment companies, insurance companies), and earnings assets or deposits (for banks), relative to stockholders' equity or book value.

In periods of rising earnings, leverage works very advantageously for the junior equity, but conversely, works very adversely in periods of declining earnings. Thus, highly leveraged situations are quite speculative. Capitalization leverage, for example, works as follows:

1. Capitalization: $20,000,000 4% bonds; 100,000 shares of $5 Preferred; and 10,000 shares of Common Stock.
2. With earnings available of $2,000,000: after bond interest of $800,000 and $500,000 Preferred dividends, the Common Stock's equity in earnings is $700,000.
3. Should earnings increase 50%, the increase in Common Stock's earnings would be 143%, as follows:

Earnings available, $3,000,000; less bond interest of $800,000 and $500,000 Preferred dividends; Common Stock's equity in earnings, $1,700,000.

4. But should earnings decline 25%, the decline in Common Stock's earnings would be 71%, as follows:

Earnings available, $1,500,000; less bond interest of $800,000 and $500,000 Preferred dividends; Common Stock's equity in earnings would be $200,000.

5. Should earnings decline 35%, there would be no Common Stock earnings, as follows:

Earnings available, $1,300,000; less bond interest of $800,000 and $500,000 Preferred dividends; Common Stock's earnings, none.

LEY

Another spelling for Lei (q. v.).

LIABILITIES

In law, the term liability is comprehensive, and embraces all obligations which a person is bound to discharge or meet either in law or in equity. In accounting, liabilities are any obligations by which an individual proprietor, partnership, corporation or other form of business organization is bound to pay a sum expressed in money, or to give up some asset having a money value.

General classification of liabilities includes: (1) accrued, (2) contingent, (3) current or floating, (4) deferred (deferred charges), and (5) fixed or capital liabilities. As to order of preference, liabilities may be classified in the following order: (1) liabilities to preferred creditors; (2) liabilities to secured creditors; (3) liabilities to unsecured or general creditors; (4) contingent liabilities; and (5) liability (or accountability) to stockholders or other owners.

The chief liabilities of a bank are: deposits, borrowings from the Federal Reserve Bank or other banks, liabilities on account of letters of credit and acceptances, and capital accounts. (See Capital Liabilities, Contingent Liabilities, Current Liabilities, Fixed Liabilities, Limitation on Total Indebtedness of National Banks.)

LIABILITY INSURANCE

In its general sense, this term covers all the various forms of property risks which are insurable. Specifically, it usually refers to the insurance lines carried by casualty and surety companies, which include: Accident, health, group accident and health, non-cancellable accident and health, automobile liability, liability other than automobile, workmen's compensation (employers' liability), fidelity, surety, glass, burglary and theft, boiler and machinery, automobile property damage, automobile collision, property damage and collision other than automobile, credit, etc.

(See Insurance.)

LIABILITY LEDGER

A subsidiary ledger maintained in the loan and discount department of a bank in which the notes, acceptances, and bills of exchange discounted for, and purchased from, each borrower are recorded. Accounts are classified alphabetically, and from this record it is possible to ascertain by reference to the balance column, the net liability of each borrower (1) on his own paper; (2) on paper which he has indorsed for value; (3) on paper which he has made and has been indorsed for value by others; and (4) on paper which he has indorsed as guarantor.

LIBEL

In civil law, a libel is an untrue and malicious publication, expressed in printing, writing, or pictures which tends to injure the reputation of a person, or to hold him up to scorn or ridicule, or to injure him in his office, profession or trade.

The avoidance of libel suits by banks expressing credit opinion unfavorable to a subject is highly important because the libel law places the burden on the defendant to prove absence of malice and plead the defenses. For this reason credit communications expressing opinions of financial responsibility should be given very carefully: (1) facts or knowledge, not mere belief, should be cited; (2) opinion or conclusions should be substantiated by facts and knowledge. In addition to giving credit information on a confidential basis, banks also use the "disclaimer clause" in credit information letters, such as: "All statements on the part of the bank, or any of its officers, as to the responsibility or standing of any person, firm or corporation, or as to the value of any securities, is a matter of opinion, given as such in answer to an inquiry, and solely as a matter of courtesy, for which no responsibility, in any way, is to attach to this bank or to any of its officers." Such a

clause, however, does not protect the bank if in fact the statements were libelous. Generally, there are two defenses which are open to such a defendant in a civil libel suit: first, that the publication is true; and second, that the circumstances surrounding the writing of the letter were such as to make it a "conditionally privileged" communication.

LIBERTY BONDS

A name given to bonds issued by the United States in 1917, 1918, and 1919, to finance our participation in World War I, and to raise funds to lend to the Allied Powers. Four Liberty Bond issues and one Victory Loan issue were brought out between May 14, 1917, and April 21, 1919, the five issues (ten issues including the converted issues) aggregating approximately $21,478,-357,000.

As of June 15, 1935, all the original issues of Liberty Bonds had been retired or converted into Treasury bonds or notes. (See United States Government Securities.

LIBRA

A gold coin of Peru, equivalent to ten soles. The international currency unit of Peru is the sol (see Foreign Moneys--Peru).

LICENSE

In real property law, permission to do acts upon the land of another which but for the permit granted would constitute a trespass. Licenses are personal to the licensee, are generally not assignable except by express agreement, and are generally revocable at will at any time, except for certain technical exceptions.

In securities regulation, State blue-sky laws of the preventive type require dealers and brokers seeking to offer securities in the State concerned to obtain a license to do so from the securities commissioner or similar officer. In addition, licensed brokers and dealers are required to "qualify" the specific securities to be sold within the State. (See Blue-Sky Laws.)

In administrative law, licenses are permits granted by the sovereign or administrative bodies to which the sovereign power has been delegated, in the exercise of the police power, to persons to carry on a profession, business, calling or activity, or engage in other relations vested with a public interest. Revenues from license fees constitute a particularly fruitful source of taxes in State tax systems.

LIEN

The right to hold any property given as a pledge or security until the debt which it secures is paid. To constitute a lien the debt must be enforcible in equity or law, e. g., a mortgage.

Liens are specific and general. A general lien comprises all the property belonging to the debtor. A specific lien comprises only the particular property subject to the lien, as specified in the instrument acknowledging the debt. A mechanic's lien is a specific lien, because it affects only the property upon which the laborer has expended material and labor.

A prior lien is not necessarily a first lien; it is simply one that takes precedence over others. A junior lien is not necessarily a second lien; it may be any lien other than the first.

LIENOR

One who holds a Lien (q. v.).

LIFE ANNUITY

See Annuity.

LIFE ESTATE

A life estate created by act of the parties is legally defined as a freehold estate not of inheritance, giving the life tenant the right to possession of the estate and to the income therefrom for the duration of his life or for the duration of the life or lives of another person or persons if so limited thereon.

Upon death of the life tenant or other person whose life determines the duration of the life estate, the property and income may, in accordance with the terms of the original grant, either revert to the grantor or his estate, or become the possession of the Remainder Man (q.v.). Under modern statutes, not more than two successive life estates can be created where a remainder is limited thereon.

Life estates arising by operation of law are Curtesy and Dower.

(See Descent, Laws of; Remainder Man.)

LIFE INSURANCE

See Insurance.

LIFE INSURANCE COMPANY INVESTMENTS

Life insurance companies are particularly vested with a high degree of public interest and concern, because of their commitments with millions of policyholders to insure lives or provide investment features for accumulated insurance premiums. Accordingly, State laws throughout the United States regulate the investments of life insurance companies in varying degrees of strictness. Most life insurance companies, however, write business not only in the State of domicile but in other States as well, and thus the most stringent of these States will determine the level of quality of investments for the particular company. Companies domociled in New York alone account for about 40% of total life insurance company assets, and in addition, other companies admitted to do business in New York bring the total life insurance assets controlled by New York State laws to well over half of total life insurance assets.

New York laws regulate the investment of life insurance companies in three general respects: (1) most stringently, although governing a minor portion of funds, the investment of minimum capital required for domiciled companies; (2) for foreign companies admitted to do business within the State, the deposit of securities of similar type; and (3), for the bulk of funds, namely reserves plus any balance over minimum capital requirements and surplus, the generally applicable restrictions on investments, which on the whole, are less stringent than for savings banks.

Paraphrased or abridged, the New York State laws regulating life insurance company investments, which are contained in the Insurance Law, are as follows:

Section 79: Every domestic insurer to the extent of the minimum capital required by law for a common stock corporation authorized to transact the same kinds of insurance, shall invest its funds only in securities of the following classes which are not in default as to principal or interest, to be kept free and clear from any lien or pledge. Not less than 60% of the total amount of re-

quired minimum capital investments shall consist of the classes specified in (a) or (b) following:

(a) Bonds or other evidences of indebtedness of the United States or of any of its agencies, when such obligations are guaranteed as to principal and interest.

(b) Bonds or other evidences of indebtedness which are direct obligations of the State of New York or of any county, district, or municipality of New York.

(c) Bonds or other evidences of indebtedness which are direct obligations of any State of the United States.

(d) Mortgage loans or deeds of trust as specified in paragraphs (a) or (c) of subdivision 6 of Section 81 (shown below) on property located in New York State.

Section 81: Investments for reserves of domestic insurers shall consist of the following:

Subdivision 1. Government, State and municipal obligations. Not in default as to principal or interest. Valid and legally authorized obligations issued, assumed or guaranteed. Payable, as to both principal and interest, from taxes levied upon all taxable property or all taxable income within the jurisdiction, or upon adequate special revenues pledged or appropriated. Not including any obligations payable solely out of special assessments on properties benefited by local improvements.

Subdivision 2. Corporate obligations. Obligations other than those eligible for investment under subdivision 6 (below), issued, assumed or guaranteed by any solvent institution created under U. S. laws or any State, district or territory, not in default as to principal or interest, and qualified under any of the following paragraphs:

(a) Obligations secured by adequate collateral security, bearing fixed interest, and if during each of any 3 years, including the last 2 years, of the 5 fiscal years next preceding date of investment, the net earnings of the issuing, assuming or guaranteeing institution available for its fixed charges shall have been not less than 1 1/4 times its total fixed charges for such year. Obligations which at the time of investment are adequately secured and have investment qualities and characteristics wherein the speculative elements are not predominant. In determining adequacy of collateral security, not more than 1/3rd of the total value of such required collateral shall consist of stock other than stock meeting the requirements of subdivision 3 (below).

(b) Fixed interest bearing obligations, other than those specified in paragraph (a) above, if the net earnings of the issuing, assuming or guaranteeing institution available for its fixed charges for a period of 5 fiscal years next preceding date of investment shall have averaged per year not less than 1 1/2 times its average annual fixed charges applicable to such period; and if during the last year of such period, such net earnings shall have been not less than 1 1/2 times its fixed charges for such year.

(c) Adjustment, income or contingent interest obligations, if the net earnings of the issuing, assuming or guaranteeing institution available for its fixed charges for a period of 5 fiscal years next preceding the date of investment shall have averaged per year not less than 1 1/2 times the sum of its average annual fixed charges and its average annual maximum contingent interest applicable to such period, and if during each of the last 2 years of such period, such net earnings shall have been not less than 1 1/2 times the sum of its fixed charges and maximum contingent interest for such year.

Subdivision 3. Preferred or guaranteed stocks or shares. Of any solvent institution created under the laws of the U. S. or of any State, district or territory. If all of the prior obligations and prior preferred stocks, if any, at date of investment be eligible as investments, and if qualified under paragraphs (a) or (b) following:

(a) Preferred stocks or shares shall be qualified if both of the following requirements are met: (1) Net earnings of such institution available for its fixed charges for a period of 5 fiscal years next preceding date of investment shall have averaged per year not less than 1 1/2 times the sum of its average annual fixed charges, if any, its average annual maximum contingent interest, if any, and its average annual preferred dividend requirements applicable to such period; and (2) During each of the last 2 years of such period, net earnings shall have been not less than 1 1/2 times the sum of its fixed charges, contingent interest and preferred dividend requirements for such year. "Preferred dividend requirements" means cumulative or non-cumulative dividends, whether paid or not.

(b) Guaranteed stocks or shares qualify if the assuming, or guaranteeing institution meets the requirements of paragraph (b) of subdivision 2 (above), construed so as to include as a fixed charge the amount of guaranteed dividends of such issue or the rental covering the guarantee of such dividends.

No life insurance company shall invest in or loan upon any preferred stock or shares of any institution an amount in excess of 10% of the total issued and outstanding preferred stock or shares of such institution; or in excess of 2% of the admitted assets of such life insurance company.

Subdivision 4. (a) Trustees' or receivers' obligations. If such obligations are adequately secured as to principal and interest.

(b) Equipment trust obligations or certificates, which are adequately secured. Or other adequately secured instruments evidencing an interest in transportation equipment wholly or in part within the U. S. and right to receive determined portions of rental, purchase or other fixed obligatory payments for the use or purchase of such transportation equipment.

Subdivision 5. Bankers' acceptances and other bills of exchange, of the kind and maturities made eligible for purchase in the open market by Federal Reserve Banks.

Subdivision 6. Mortgage loans.

(a) Bonds, notes or evidences of indebtedness, other than those described in subdivision 2 (above), which are secured by first mortgages or deeds of trust upon improved, unencumbered real property, located in the U. S. No such mortgage loan made or acquired on any one property shall at time of investment exceed 2/3rds of the value of the real property security, except on loans guaranteed by the Administrator of Veterans' Affairs under Title III of the Servicemen's Readjustment Act of 1944. No such loan shall be made or acquired except after appraisal made by an appraiser for the purpose of such investment. No participation or part of a series or issue secured by the same mortgage or deed of trust shall be a lawful investment, unless the entire series or issue is held by the investing life insurance company, or unless it holds a senior participation giving it substantially the rights of a first mortgagee.

Except as otherwise provided, no domestic insurer shall invest in or loan upon the security of any one property more than $25,000, or not more than 2% of its

total admitted assets, whichever is the greater.

In no event shall the total investments of any such insurer in the kinds permitted under this paragraph exceed 40% of its total admitted assets.

(b) Purchase money mortgages or like securities received upon the sale or exchange of real property acquired pursuant to subdivision 7 (below).

(c) Bonds or mortgages secured by mortgage or trust deed guaranteed or insured by the Federal Housing Administrator.

(d) Bonds or mortgages secured by mortgage or trust deed guaranteed as to principal by the Administrator of Veterans' Affairs under Title III of the Servicemens' Readjustment Act of 1944.

(e) Bonds and mortgages, or first mortgage and collateral trust bonds issued by a housing project corporation on housing projects located in New York State; constituting a first lien upon all of the real property of the project or upon all of the real property or a separate unit thereof; upon completion of which, guaranteed to at least 40% of principal amount either directly or indirectly through pledge of obligations as security therefor, under Title III of the Servicemens' Readjustment Act of 1944. In no event shall the aggregate amount of the bonds and mortgages or first mortgage or collateral trust bonds exceed the value of the real property security as appraised by or on behalf of the Administrator of Veterans' Affairs or other instrumentality of the Federal Government.

Where the bond and mortgage or such first mortgage and collateral trust bond constitute a building and construction loan, such building and construction loan shall be eligible investment provided it shall be guaranteed directly or indirectly under the Servicemen's Readjustment Act of 1944 to the extent of at least 30%.

Where the funds received from the sale of bonds or notes by such housing project corporation are held by a corporate trustee having its principal office in New York State, such bonds or notes shall be eligible, provided that under such indenture, no such funds may be advanced by such trustee for the housing project unless the bonds or notes will be guaranteed directly or indirectly under the Servicemen's Readjustment Act of 1944 to the extent of at least 30% of said advances.

Subdivision 7. Real estate.

Real estate only if acquired or used for the following purposes and in the following manner:

(a) The land and the building thereon constructed in which it has its principal office.

(b) Such as shall be requisite for its convenient accommodation in the transaction of its business.

(c) Such as shall have been acquired in satisfaction of loans, mortgages, liens, judgments, decrees or other debts previously owing to the insurer in the course of its business.

(d) Such as shall have been acquired in part payment of the consideration on the sale of real property owned by it, if each such transaction shall have effected a net reduction in the company's investment in real property.

(e) Additional real property and equipment incident to real property, if necessary or convenient for the purpose of enhancing the sale value of real property previously acquired by it, pursuant to paragraphs (c), (d), (f) or (g) of this subdivision 7.

(f) Such as has been acquired as emergency housing (pursuant to Chapter 658 of the laws of 1922 and Chapter 284 of the laws of 1924).

(g) Such as has been acquired pursuant to Chapter 25 of the laws of 1938 or as may be acquired pursuant to Section 84 of the Insurance Law (low and moderate income housing projects).

(h) Such real property, other than property to be used primarily for agricultural, horticultural, ranch, mining, recreational, amusement or club purposes, as may be acquired as an investment for the production of income, or as may be acquired to be improved or developed for such investment purpose pursuant to an existing program therefor, subject to the following conditions and limitations:

(1) The cost of each parcel of real property so acquired, including the estimated cost of improvement or development, when added to book value of all other real property then held pursuant to paragraph (h), shall not exceed 3% of admitted assets as of the 31st day of December next preceding, and (2) the cost of each parcel of real property under authority of this paragraph (h), including estimated cost of improvement or development, shall not exceed as of the 31st day of December next preceding the sum of: (1) 1/2 of 1% of the admitted assets up to and including $250,000,000; and (2) 1/4 of 1% of admitted assets in excess of $250,000,000.

Except as may be otherwise required by the Superintendent pursuant to subsection 2 of Section 91 of the Insurance Law:

(1) Each parcel of real property held by an insurer under this paragraph (h) shall be valued on its books as of the 31st day of December of each year at an amount that will include a write-down of the cost of such property, including all improvement or development costs, at a rate that will average not less than 2% per annum of such cost for each year or part thereof that the property has been held; and

(2) If as of the 31st day of December in any year, the aggregate net income before depreciation from all the properties held by an insurer under this paragraph (h), less the sum of all previous write-downs applied to such properties, shall exceed 4% per annum on the total book value of all such properties for the entire period during which such properties have been so held, the amount of such excess shall be applied, in such amounts and to such properties as the insurer shall determine, as a further write-down of such total book value.

In order to enable the Superintendent to obtain comparable information from all insurers with respect to their operations under this paragraph (h) and to determine compliance therewith, the Superintendent may by regulation prescribe a uniform classification of all items of investment, income and expenses and a uniform method of reporting such operations.

(i) Such real property has may be acquired pursuant to Section 25 of Chapter 234 of the Laws of 1943 or subdivision 9 below (housing projects).

All real property acquired pursuant to paragraphs (a) and (b) of this subdivision 7 shall be disposed of within 5 years after it shall have ceased to be necessary for the convenient accommodation of the company in the transaction of its business. All real property acquired pursuant to paragraphs (c), (d) and (e) of this subdivision 7 shall be disposed of within 5 years after the date of acquisition, unless in any case the Superintendent

certifies that the interests of the company will suffer materially by the forced sale thereof, in which event the time for disposal may be extended for such time as the Superintendent shall prescribe in such certificate, or unless in any case the company shall elect to hold such property pursuant to paragraph (h) of this subdivision 7, in which event such property thereafter shall be deemed to have been acquired at a cost equal to its book value at the time of such election, and to be held pursuant to and subject to the provisions of paragraph (h).

No real property shall be acquired by any domestic insurer pursuant to paragraphs (a), (b), (d) or (e) of this subdivision 7 except with the approval of the Superintendent.

No domestic life insurance company shall acquire any real property, including improvements thereon, pursuant to Section 84 of the Insurance Law (low and moderate income housing), if the value of the real property to be acquired, including the estimated cost of improvements to be made thereon, together with the value of all real property then held by it pursuant to paragraphs (f) and (g) of this subdivision 7, exceeds 10% of admitted assets as of December 31st next preceding.

Subdivision 8. Foreign investments.

(a) Any domestic insurer may invest in, or otherwise acquire or loan upon, bonds, notes or other evidences of indebtedness which are valid and legally authorized obligations issued, assumed or guaranteed by the Dominion of Canada or any Province thereof, but which are not in default as to principal and interest. The aggregate amount of such investments which are held at any time by such insurer, together with all Canadian investments held by it pursuant to paragraph (b) below, shall not exceed 10% of admitted assets, except where a greater amount is permitted pursuant to paragraph (b) below, in which case the provisions of this paragraph shall not be applicable.

(b) Any domestic insurer which is authorized to do business in a foreign country or possession of the United States or which has outstanding insurance, annuity or reinsurance contracts on lives or risks resident or located in a foreign country or possession of the United States, may invest in, or otherwise acquire or loan upon securities and investments in such foreign country or possession of the United States, which are substantially of the same kinds, classes and investment grades as those eligible for investment under the foregoing provisions of Section 81.

The aggregate amount of such investments in a foreign country or possession of the United States and of cash in the currency of such country or possession which is at any time held by such insurer, shall not, except as provided in paragraph (a) above, exceed 1 1/2 times the amount of its reserves and other obligations under such contracts or the amount which such insurer is required by law to invest in such country or possession, whichever shall be greater.

Subdivision 9. Stock and evidences of indebtedness of housing companies.

Stock and evidences of indebtedness, or either, of any housing company or redevelopment company organized under the Public Housing Law or Redevelopment Companies Law of this or any other State, or of any corporation organized for the purpose of owning and operating any housing project of the kind authorized under Section 84 of the Insurance Law whether or not located in the State of New York, to the extent and upon such conditions as may be authorized by the Superintendent. All of the stock (other than directors' qualifying shares) of such housing company redevelopment company or corporation shall be originally issued to one or more insurance companies.

Any domestic insurer may exercise, with respect to any redevelopment company organized or redevelopment project undertaken, pursuant to the laws of any other State, investment and other powers substantially similar to those which such insurer is authorized by Section 25 of Chapter 234 of the Laws of 1943 to exercise with respect to redevelopment companies and projects organized or undertaken under that Chapter 234.

Subdivision 10. Stock of a Federal Home Loan Bank.

A domestic life insurance company incorporated under the laws of New York State may become a member of a Federal Home Loan Bank, and may have and exercise all powers not in conflict with the laws of New York State, which are conferred upon any such member by the Federal Home Loan Bank Act, including but not by way of limitation, the power to invest in capital stock of a Federal Home Loan Bank in the amount necessary to qualify for membership in such Bank and in such additional amounts as are approved by the Superintendent.

Such domestic life insurance company and its directors and officers shall continue to be subject, however, to all liabilities and duties imposed upon them by any law of New York State and to all applicable provisions of this chapter relating to domestic life insurance companies.

Subdivision 11. Obligations issued or guaranteed by the International Bank for Reconstruction and Development, provided, however, that the aggregate amount of such investments which are held at any time by any domestic insurer shall not exceed 5% of its total admitted assets as of the 31st day of December next preceding.

Other investment sections of the New York Insurance Law provide:

Section 83. Any life insurance company may lend to any of its policyholders upon the security of the value of his policy a sum not exceeding the legal reserve which it is required to maintain thereon.

Section 84. Housing.

To promote and supplement public and private efforts to provide an adequate supply of decent, safe and sanitary dwelling accommodations for persons of low and moderate income, and to assist in relieving the housing situation, any domestic life insurance company may wherever it is actively doing the business of life insurance, acquire or construct housing projects, consisting of apartment, tenement or other dwelling houses, exclusive of hotels. In connection with any such project, it may acquire land or any interest therein by purchase, lease or otherwise, or use land acquired pursuant to any other provisions of this chapter, and may provide accommodations for retail stores, shops, offices and other community services reasonably incident thereto. Such companies may hereafter own, maintain, manage, collect or receive income from, or sell or convey, any land or interest therein so acquired and any improvement thereon.

The aggregate book value of the investments of any such company in all such projects and in stock and evidences of indebtedness held under subdivision 9 of Section 81, to the extent that such stock and evidences of indebtedness are not eligible for investment by domestic life insurance companies under any other pro-

visions of law, shall not exceed at any time 10% of total admitted assets of such company on the 31st day of December next preceding.

Restrictions on life insurance company investments are found also in the following sections of the New York Insurance Law:

Section 82. 1. No domestic life insurance corporation (or fraternal benefit society) shall invest in or loan upon any stocks or shares of any corporation or institution other than as specified in Section 81 or in Section 199 (which provides for authority to acquire own capital stock upon mutualization).

2. If any securities received by any such insurer in accordance with subsection 4 of Section 80 (reorganizations, or bulk reinsurance, or consolidations) shall consist in whole or in part of stock or shares of any institution or of bonds or other obligations which do not meet the requirements specified in Section 81, then any such stock or shares and any such bonds or obligations so received shall be disposed of within 5 years from the date of acquisition, or before the expiration of such further period of time as may be prescribed in writing by the Superintendent, unless at any time after such acquisition, such securities shall have met such requirements and the insurer has notified the Superintendent thereof.

3. Every domestic life insurance corporation which on June 1, 1906 owned any shares of stock or any bonds or evidences of indebtedness of the kinds prohibited under Chapter 326 of the Laws of 1906 (the statute enacted following the Armstrong investigation and report in New York State), which has not disposed of such securities, shall dispose of all of them on or before the expiration of 5 years from the effective date of this chapter.

Section 87. Except as more specifically provided in this chapter, no domestic insurer shall have more than 10% of its total admitted assets invested in or loaned upon, the security of any one institution; but this restriction shall not apply to the classes of Governmental obligations (including those eligible under paragraph (c), subdivision 6, of Section 81) eligible for minimum capital requirements of such insurer, nor those investments in stocks of other insurance companies under the provisions of Section 86 (that section does not apply to life insurance companies or fraternal benefit societies.

No domestic insurer shall hereafter acquire any real property of the kinds specified in paragraphs (a) and (b) of subdivision 7 of Section 81 if the value of such real property together with the value of all such real property then held by it, exceeds 10% of its total admitted assets.

Section 90 of the New York Insurance Law gives the Superintendent of Insurance the power to refuse a new or renewal license to any non-domiciled company if he finds that its investments do not comply in substance with the investment requirements and limitations imposed upon domiciled companies.

Section 78 prohibits any insurer from participating in any underwriting of the purchase or sale of securities in advance of their issuance or from entering into any transaction for such purchase or sale on account of such insurer jointly with any other person, firm or corporation, or from entering into any agreement to withhold from sale any of its property.

Investments by classes for the 1946 and 1947 year-ends of all United States legal reserve life insurance companies, as estimated by the Life Insurance Association of America, are shown on page 363.

During World War II, virtually all funds becoming available for investment by life insurance companies were invested in U. S. Government securities, but in the post-World War II period, the trend has been towards expansion in corporate securities (which expanded 45% in the two years 1946-7), and mortgage loans (which increased 29% for the two years).

(See Insurance.)

LIFE INSURANCE TRUST

See Insurance Trust.

LIFE INTEREST

See Life Estate.

LIFE TENANT

See Life Estate.

LIGHT COIN

Coin reduced by natural abrasion below the standard weight fixed by law. Loss in weight of gold coins, if in excess of the limit of tolerance provided by law, reduces its legal tender value in proportion to such loss in weight. (See Light Gold, Tolerance.)

Loss in weight of fractional silver, nickel, and copper coins does not affect their value as legal tender since these coins are worth less as metal than as coin. (See Token Money.)

LIGHT GOLD

Gold coins which have been reduced in weight, caused by variation or percentage of error on the part of the Mint, or more usually, through abrasion resulting from circulation. For tolerance allowed the Mint in error of fineness and gross weight, see Tolerance. The Revised Statutes, Section 3585, provided that any gold coin in the Treasury when reduced in weight by natural abrasion more than 1/2 of 1% below the standard weight prescribed by law should be recoined, and any gold coins reduced in weight by not more than 1/2 of 1% below the standard weight, after a circulation of 20 years from date of coinage, and ratably for any period less than 20 years, could be received at their nominal value by the Treasury.

The Joint Repeal Resolution of Congress of June 5, 1933 provided specifically that gold coins, when below the standard weight and limit of tolerance provided by law for the single piece, shall be legal tender only at valuation in proportion to their actual weight.

However, under the Gold Reserve Act of January 30, 1934, no gold shall hereafter be coined, and no gold coin shall hereafter be paid out or delivered by the United States, except that coinage may continue to be executed by the Mints of the United States for foreign countries. All gold coin of the United States, in accordance with the Act, was withdrawn from circulation, and together with all other gold owned by the United States shall be formed into bars of such weights and degrees of fineness as the Secretary of the Treasury may direct.

(See Tolerance.)

LIMIT

A definite price fixed by a customer in giving an order to purchase or sell securities (or commodities) to a broker for execution, and which the broker must not go over if a purchase, or under if a sale. (See Orders.)

INVESTMENTS, BY CLASSES, 1946-1947

ALL UNITED STATES LEGAL RESERVE LIFE INSURANCE COMPANIES

Class	DECEMBER 31, 1946 Amount Outstanding	% of Total	DECEMBER 31, 1947 Amount Outstanding	% of Total
Bonds:				
U. S. Government	$21,639,051,000	44.9	$20,015,000,000	38.7
State, County and Municipal	615,702,000	1.3	610,000,000	1.2
*Canadian Government	1,259,391,000	2.6	1,305,000,000	2.5
*Other Foreign Government	10,994,000	.0	20,000,000	.0
Total Government	23,525,138,000	48.8	21,950,000,000	42.4
Railroad	2,925,669,000	6.1	2,890,000,000	5.6
Public Utility	5,582,781,000	11.6	6,950,000,000	13.4
Other	3,316,474,000	6.9	4,965,000,000	9.6
Total Bonds	35,350,062,000	73.4	36,755,000,000	71.0
Stocks:				
Railroad	99,778,000	.2	95,000,000	.2
Public Utility	340,244,000	.7	380,000,000	.7
Other	807,207,000	1.7	925,000,000	1.8
Total Stocks	1,247,229,000	2.6	1,400,000,000	2.7
Mortgages:				
Farm	794,534,000	1.6	865,000,000	1.7
Other	6,360,211,000	13.2	7,805,000,000	15.1
Total Mortgages	7,154,745,000	14.8	8,670,000,000	16.8
Real Estate	734,937,000	1.5	860,000,000	1.7
Policy Loans and Premium Notes	1,890,766,000	3.9	1,930,000,000	3.7
Cash	756,112,000	1.6	1,020,000,000	2.0
Other Admitted Assets	1,056,945,000	2.2	1,100,000,000	2.1
Total Admitted Assets	48,190,796,000	100.0	51,735,000,000	100.0

*Includes all political subdivisions.

Sources of the above data, compiled jointly by the Institute of Life Insurance and the Life Insurance Association of America, are:
1946 data, from Insurance Year Book - Life Edition - published by The Spectator Company. Sub-classifications of bonds, stocks and mortgages estimated.
1947 data, estimated from actual records of 349 companies which at the end of 1946 held 99.92% of the total assets of all U. S. legal reserve companies.

LIMIT OF TOLERANCE

See Light Gold, Tolerance.

LIMITATIONS

See Limitations on Acceptance Credits, Limitations on Bank Loans, Limitations on Investments, Limitations on the Total Indebtedness of National Banks, Statute of Limitations.

LIMITATIONS ON ACCEPTANCE CREDITS

The Federal Reserve Act (Section 13) provides that any member bank may accept drafts or bills of exchange drawn upon it having not more than 6 months' sight to run, exclusive of days of grace, which grow out of transactions involving the importation and exportation of goods, or which grow out of transactions involving the domestic shipment of goods, provided shipping documents conveying or securing title are attached at the time of acceptance, or which are secured at the time of acceptance by a warehouse receipt or other such document conveying or securing title covering readily marketable staples.

No member bank, however, shall accept, whether in a foreign or domestic transaction, for any one person, company, firm of corporation to an amount equal at any time in the aggregate to more than 10% of its paid-up and unimpaired capital stock and surplus, unless the bank is secured either by attached documents or by some other actual security growing out of the same transaction as the acceptance. No bank shall accept such bills to an amount equal at any time in the aggregate to more than one-half of its paid-up and unimpaired capital stock and surplus.

The Board of Governors of the Federal Reserve System, however, under general regulations it may prescribe, which shall apply to all banks alike regardless of the amount of capital stock and surplus, may authorize any member bank to accept such bills to an amount not exceeding at any time in the aggregate 100% of its paid-up and unimparied capital stock and surplus provided that the aggregate of acceptances growing out of domestic transactions shall in no event exceed 50% of capital stock and surplus paid-up and unimpaired.

Any member bank may accept drafts or bills of exchange drawn upon it having not more than 3 months' sight to run, exclusive of days of grace, drawn under

regulations prescribed by the Board of Governors of the Federal Reserve System, by banks or bankers in foreign countries or dependencies or insular possessions of the United States for the purpose of furnishing dollar exchange as required by the usages of trade in the respective countries, dependencies, or insular possessions. No member bank, however, shall accept such drafts or bills of exchange for any one bank to an amount exceeding in the aggregate 10% of the paid-up and unimpaired capital and surplus of the accepting bank, unless the draft or bill of exchange is accompanied by documents conveying or securing title or by some other adequate security; and provided that no member bank shall accept such drafts or bills in an amount exceeding at any time the aggregate of one-half of its paid-up and unimpaired capital and surplus.

(See Acceptance Credit, Bank Acceptance.)

LIMITATIONS ON BANK LOANS

Limitations imposed by Section 5200 of the Revised Statutes upon National banks restrict the amounts which a National Bank may legally lend to one borrower. The Comptroller of the Currency has issued an outline of these limitations, as follows:

Types of Obligations to Which Limits Apply	Limits Imposed by Section 5200 (i.e., Maximum Percentage of Bank's Unimpaired Capital and Surplus which may be loaned to any one borrower)
A. Obligations generally (whether secured or unsecured)	A. 10%
The term "obligations" embraces:	
(a) The direct liability of maker or acceptor (including accommodation makers or acceptors) of paper discounted with, or evidencing loans by, the bank.	
(b) The liability of the indorser, drawer or guarantor who obtains a loan from or discounts paper with, or sells paper under his guaranty to, such National bank, but does not include accommodation indorsers).	
(c) In the case of obligations of co-partnership or unincorporated association, the obligations of its several members.	
(d) In the case of obligations of a corporation, the obligations of all subsidiaries in which the corporation owns a majority interest.	
B. Exceptions to the general 10% limitation:	
1. Drafts or bills of exchange drawn in good faith against actually existing values (Exceptions 1 embraces only 2-name paper; it need not be secured).	1. No limit.
2. Commercial or business paper (Exception embraces only 2-name paper which must (1) be given by a purchaser to a seller in payment for a commodity; (2) bear the full recourse indorsement of an actual owner; and (3) be negotiable).	2. No limit.
3. Obligations (including 1-name paper) secured by goods or commodities in process of shipment. The term "in process of shipment" is construed to mean in the hands of a carrier.	3. No limit.
4. Obligations as indorser or guarantor of notes, other than commercial or business paper taken under Exception 2, having maturity of not more than 6 months and owned by the party negotiating same.	4. 15%, in addition to general 10% limit (25% total).
5. Bankers' acceptances of other banks of the kind described in Section 13 of the Federal Reserve Act.	5. No limit.
6. Notes or drafts secured by shipping documents, warehouse receipts, or other such documents (similar in nature to shipping documents and warehouse receipts, not including trust receipts) transferring or securing title covering readily marketable nonperishable staples, which must be insured if it is customary to insure such commodities. Obligations arising from the same transaction or secured upon the identical staples for more than 10 months do not fall within the exception.	6. In addition to the general limit of 10%: Additional 15% if security is 115%; additional 5% if security is 120%; additional 5% if security is 125%; additional 5% if security is 130%; additional 5% if security is 135%; additional 5% if security is 140%. (50% total.) (Note: The value of the security must be computed at "market value" and the required margin must be maintained at all times during the life of the loan.)

Types of Obligations to Which Limits Apply	Limits Imposed by Section 5200 (i.e., Maximum Percentage of Bank's Unimpaired Capital and Surplus which may be loaned to any one borrower)
7. Notes and drafts secured by shipping documents or instruments transferring or securing title covering or giving a lien on livestock	7. 15% if seccured 115% (25% total). (Note: The value of the security must be computed at "market value" and the required margin must be maintained at all times during the life of the loan.)
8. Notes secured by not less than a like amount of: (a) Bonds or notes of the United States issued since April 24, 1917. (b) Certificates of indebtedness of the United States. (c) Treasury bills of the United States. (d) Obligations fully guaranteed as to principal and interest by the United States.	8. 15% in addition to general 10% limit (25% total).
9. Loans to a National or a State bank or to a representative in charge of the business thereof, when approved by the Comptroller of the Currency.	9. No limit.
10. Obligations secured or covered by "unconditional" guaranties, commitments, or agreements to take over or to purchase or to purchase for cash or its equivalent (within 60 days after demand) made by: (a) Any Federal Reserve Bank; (b) The United States, including any: (1) Department; (2) Bureau; (3) Commission; (4) Establishment; (5) Corporation wholly owned directly or indirectly by the United States.	10. No limit.

Limitations under Section 23A of the Federal Reserve Act are as follows:

Types of Obligations to Which Limits Apply	Limits Imposed by Section 5200 (i.e., Maximum Percentage of Bank's Unimpaired Capital and Surplus which may be loaned to any one borrower)
C. Section 23A	
Affiliates:	Limits Imposed
Loans and credit to; Repurchase agreements with; Investments in and obligations of; Loans secured by obligations of. Collateral to credit of any kind must be in form of stocks, bonds, debentures or other such obligations having a market value 20% more than advances, except if issued by State or political subdivision value may be 10%. See exception to security in paragraphs 2 and 3 of the Act.	Aggregate of all to one affiliate limited to 10% of capital and surplus. Aggregate of all to all affiliates limited to 20% of capital and surplus (see Section 23A of Federal Reserve Act, paragraphs 2 and 3, for exceptions).

Limitations under Section 24A of the Federal Reserve Act are as follows:

D. Section 24A	
Loans to or secured by stock of corporation owning banking house, together with investment in and/or stock and obligations of corporation owning the bank premises.	Limited to amount of capital stock (unless the Comptroller of the Currency approves a greater amount).

State banks becoming members of the Federal Reserve System, subject to the provisions of the Federal Reserve Act and the regulations of the Board of Governors of the Federal Reserve System, shall retain their full charter and statutory rights as State banks or trust companies, and may continue to exercise all corporate powers granted by the State in which chartered, and shall be entitled to all privileges of member banks, except that no Federal Reserve Bank shall be permitted to discount for any State bank or trust company in an amount greater than that which could be borrowed lawfully from such State bank or trust company were it a National bank. The Federal Reserve Bank, as a condition of the discount of notes, drafts and bills of exchange for such State bank or trust company, shall require a certificate or guaranty to the effect that the borrower is not liable to such bank in excess of the amount lawful for National banks, and will not be permitted to become liable in excess of this amount while such paper is under discount with the Federal Reserve Bank (paragraph 12 of Section 9 of the Federal Reserve Act).

Also, under paragraph (m) of Section 11 of the Federal Reserve Act, the Board of Governors of the Fed-

eral Reserve System shall have power, upon the affirmative vote of not less than 6 of its members, to fix from time to time for each Federal Reserve district the percentage of individual bank capital and surplus which may be represented by loans secured by stock or bond collateral made by member banks within such district, but no such loan shall be made by any such bank to any person in an amount in excess of 10% of the unimpaired capital and surplus of such bank. Security loans secured by U. S. Government bonds or notes issued since April 24, 1917, certificates of indebtedness of the United States, Treasury bills, or obligations fully guaranteed both as to principal and interest by the United States, shall be exempt from this limitation, but State member banks shall be subject to the same limitations and conditions as are applicable in the case of National banks under paragraph (8) of Section 5200 of the Revised Statutes.

Any percentage so fixed by the Board of Governors shall be subject to change from time to time upon 10 days' notice, and it shall be the duty of the Board to establish such percentages with a view to preventing the undue use of bank loans for the speculative carrying of securities. The statute empowers the Board of Governors to direct any member bank to refrain from further increase of its loans secured by stock or bond collateral for any period up to one year under penalty of suspension of all rediscount privileges at Federal Reserve banks.

(See Loans.)

LIMITATIONS ON INVESTMENTS

The business of dealing in securities and stock by National banks is limited by Section 5136 of the Revised Statutes, as amended, paragraph Seventh, to purchasing and selling such securities and stock without recourse, solely upon the order, and for the account of customers, and in no case for its own account, and the National bank shall not underwrite any issue of securities or stock, with the following exceptions:

1. The National bank may purchase for its own account investment securities under such limitations and restrictions as the Comptroller of the Currency may by regulation prescribe. (See Comptroller's Regulation.)

2. In no event shall the total amount of the investment securities of any one obligor or maker, held by the National bank for its own account, exceed at any time 10% of its capital stock actually paid in and unimpaired and 10% of its unimpaired surplus fund, except that this limitation shall not require any National bank to dispose of any securities lawfully held by it on the date of enactment of the Banking Act of 1935 (August 23, 1935).

3. The term "investment securities" shall mean marketable obligations evidencing indebtedness of any person, co-partnership, association, or corporation in the form of bonds, notes and/or debentures commonly known as investment securities under such further definition of the term "investment securities" as may by regulation be prescribed by the Comptroller of the Currency (see Comptroller's Regulation).

4. Except as provided or permitted by law, purchase by a National bank for its own account of any shares of stock of any corporation is not authorized.

Stocks permitted to be owned by National banks include: Capital stock of a corporation organized under the law of any State to conduct a safe-deposit business in an amount not in excess of 15% of the capital stock of the National bank actually paid in and unimpaired and 15% of its unimpaired surplus; stock, bonds, debentures, or other such obligations of any corporation holding the premises of the bank, investment in bank premises, or loans to or upon the security of the stock of any such corporation are not authorized, except with the approval of the Comptroller of the Currency, if the aggregate of all such investments and loans will exceed the amount of the capital stock of the National bank; in an amount not exceeding in the aggregate 10% of paid-up capital stock and surplus, stock of one or more banks or corporations chartered or incorporated under the laws of the United States or of any State, and principally engaged in international or foreign banking, or banking in a dependency or insular possession of the United States, either directly or through the agency, ownership, or control of local institutions in foreign countries, or in such dependencies or insular possessions; Federal Reserve Bank stock; loans or discounts on the security of its own capital stock, or purchase, or holding of its own capital stock, only if necessary to prevent loss upon a debt previously contracted in good faith, and such own capital stock purchased or acquired shall be sold or disposed of at public or private sale within 6 months from time of purchase; investments in the capital stock, bonds, debentures or other such obligations of any affiliate, or loans, extensions of credit, repurchase agreements, and advances secured by stock or obligations of such affiliate, if the aggregate amount of such investments or loans will not exceed 10% of capital stock and surplus of the bank, or if in the case of all such affiliates, the aggregate amount of such loans or investments does not exceed 20% of the capital stock and surplus of the bank; ownership of other stocks, only if necessary to prevent loss upon a debt previously contracted in good faith, and to be disposed of promptly.

5. Limitations and restrictions as to dealing in, underwriting and purchasing for own account of investment securities do not apply to: Obligations of the United States or general obligations of any State or of any political subdivision thereof, or obligations issued under authority of the Federal Farm Loan Act, as amended, or issued by the Federal Home Loan Banks, or obligations insured by the Federal Housing Administrator pursuant to Section 207 of the National Housing Act, if the debentures to be issued in payment of such insured obligations are guaranteed as to principal and interest by the United States.

State member banks are required to observe the same limitations on investments imposed upon National banks.

(See Limitations on Bank Loans.)

LIMITATIONS ON THE TOTAL INDEBTEDNESS OF NATIONAL BANKS

No National bank, according to Section 5202 of the Revised Statutes, as amended, shall at any time be indebted, or in any way liable, to an amount exceeding the amount of its capital stock at such time actually paid in and remaining undiminished by losses or otherwise, except on account of the following liabilities:

(1) Notes in circulation (National bank notes are now in process of retirement); (2) Moneys deposited with or collected by the bank; (3) bills of exchange or drafts drawn against money actually on deposit to the credit of the bank or due thereto; (4) Liabilities to the stockholders of the bank for dividends and reserve profits;

(5) Liabilities incurred under the provisions of the Reconstruction Finance Corporation Act; (6) Liabilities incurred under the provisions of the Federal Reserve Act; (7) Liabilities created by the indorsement of accepted bills of exchange payable abroad actually owned by the indorsing bank and discounted at home or abroad; (8) Liabilities incurred under the provisions of Section 202 of Title II of the Federal Farm Loan Act, approved July 17, 1916, as amended by the Agricultural Credits Act of 1923; (9) Liabilities incurred on account of loans made with the express approval of the Comptroller of the Currency under paragraph (9) of Section 5200 of the Revised Statutes, as amended; and (10) Liabilities incurred under the provisions of Section 13b of the Federal Reserve Act (participation with the Federal Reserve Banks in working capital loans to business).

(See Limitations on Bank Loans, Limitations on Investments.)

LIMITATIONS, STATUTE OF

See Statute of Limitations.

LIMITED COMPANY (CORPORATION)

A corporation in which the stockholders are limited in their liability to creditors to the amount represented by the fully paid par value of the stock they own. If the debts of a corporation upon liquidation exceed the sum realized through the sale of the assets, the creditors must bear the loss in proportion to their claims. The stockholders cannot be called upon to make good the deficit. (See Limited Liability.)

Limited companies are to be distinguished in this respect from partnerships, in which the partners are jointly liable for all debts contracted by the partnership jointly and severally liable for torts and breaches of trust, and whose personal property may be taken to satisfy such debts. A partnership and joint-stock company provide unlimited liability for the claims of creditors. (See Joint Stock Company, Partnership.)

LIMITED LEGAL TENDER

See Legal Tender, Token Money, United States Money.

LIMITED LIABILITY

The liability of stockholders of the ordinary business corporation extends no further than to payment of the full par value of the issued and outstanding capital stock, such limited liability being one of the principal advantages of the corporate form of business organization. However, even for limited liability corporations, State statutes provide that every holder of shares of stock not fully paid shall be personally liable to the creditors of the corporation to an amount equal to the amount unpaid on the shares held by him for debts of the corporation contracted while such shares were held by the stockholder. Also, State statutes, e. g., New York, provide that the stockholders of every stock corporation shall jointly and severally be liable personally for all debts due and owing to any of the corporation's laborers, servants or employees other than contractors, for services performed by them for such corporation, under specified conditions.

National banks and State banks and trust companies carried double liability on their stock, stockholders being subject to assessment up to the par value of their shares in addition to losing their original investment. In accordance with the Banking Acts of 1933 and 1935, double liability for National bank stock has been ended, and most States have provided similar legislation for State banks and trust companies. (See Double Liability, Limited Company.)

LIMITED ORDER

A buying or selling order lodged with a broker for execution at a specified price, and which will not be executed if the price is not reached, but which may be executed at a price more favorable to the customer, e. g., "Buy 100 shares of United States Steel at 95." If 95 is named as the buying price and the stock is available in the market at 94 1/2, the buyer is entitled to the actual price at which the purchase is made. That is to say, the broker is entitled to no profit on any transaction executed for a customer, but only to the stipulated commission. In case of odd lots, a limited order to buy at 95 will not be executed until the specified stock sells in a lot of 100 shares or more at 94 7/8. Better price than that can be obtained only if the next round lot sale after receipt of the order is below 94 7/8. Thus, if the next sale is 94 1/2, the stock will be bought at 94 5/8; but if the stock sells at 95, and the next quotation drops to 94 1/2, the execution will still be at the limit of 95. (See Orders.)

LIMPING STANDARD

A term used to describe the monetary system of a country which, although the gold standard has been formally or informally adopted and the free coinage of silver has been suspended, nevertheless retains silver coins in circulation with legal tender power, in order to supply a sufficient volume of circulating media. The limping standard is in reality a survival of the era of Bimetallism (q.v.) in which gold and silver were maintained as a joint standard at a fixed coinage rate. The countries which comprised the Latin Union (q.v.), once having a bimetallic standard and still retaining silver coins in circulation, may be said to have possessed a limping standard.

LINE

See Deposit Line, Line of Credit.

LINE OF CREDIT

The maximum or amount which a person or concern is entitled to borrow from a bank at any given time, or normal limit of accommodation, also called the limit of credit, or credit line. It is the total credit force, or potential credit balance at the disposal of a borrowing customer in return for which the customer is required to maintain proportional balances, prove to be an acceptable credit risk, and otherwise satisfactory as an account. The amount of a credit line is not definitely fixed, but varies from time to time, according to the financial standing of the customer, as shown by submitted financial statements, the bank's loanable resources, and general money and trade conditions.

While a bank usually fixes a line of credit for its borrowing customers, it is usually reluctant absolutely to agree to provide for this amount because changing conditions, either in the affairs of the customer or the bank, may make it inadvisable, if not impossible, to grant the line agreed upon. In other words, while a bank is normally obligated to insure a line of credit agreed upon, it is not legally bound to do so. Any line of credit es-

tablished is predicated upon the continuance of the same management and maintenance of a financial standing as good or better than that which was in existence at the time it was established.

Ordinarily, a bank is able to provide its customers with as much credit as they are entitled to have in proportion to the value of their accounts and financial condition. For this reason, the well established and conservatively conducted concern, having good banking connections, should never experience difficulty in obtaining all the credit it requires.

(See Credit, Credit Risk, Statement Analysis, Twenty Per Cent. Rule.)

LINE OF DEPOSIT

See Deposit Line.

LINE OF STOCKS

A term which refers to commitments made on the long or short side of the market systematically bought or sold respectively on a scale. (See Scaling.)

LIQUID ASSETS

Among commercial and industrial concerns, liquid assets are equivalent to Current Assets (q.v.). Among banks, liquid assets are those which are immediately available as cash, or which can be quickly converted into cash, e. g., call loans, amounts due from banks, exchanges for clearing house, loans eligible for rediscount, and securities enjoying a ready and reliable market. They do not include time loans ineligible for rediscount, securities not enjoying a ready market, banking premises, etc.

LIQUIDATING MARKET

A market in which selling in volume occurs, whether as the result of a concerted movement to reduce prices thought to be inflated, or merely to take profits. As applied to stocks, the term refers in particular to the selling of long stock. (See Bear Market, Liquidation.)

LIQUIDATING VALUE

The net value realizable in liquidation of business or particular asset. In security analysis, the term is most often associated with fire and casualty insurance stocks, to indicate stockholders' equity, however, rather than true estimated value in liquidation. It is generally computed by taking capital, surplus (at market values for security holdings), voluntary reserves, and the equity in unearned premiums reserve. For fire insurance stocks, such equity in unearned premiums is generally taken as a flat 40%, although the actual realizable equity generally is larger. For casualty insurance stocks, the equity in unearned premiums is usually figured closer, depending on average loss ratios for the particular lines of insurance outstanding. The liquidating value is generally expressed on a per share basis on the common capital stock. (See Insurance Company Statements)

LIQUIDATION

This term has two meanings:

(1) Cash realization; the selling of holdings in stocks, bonds or commodities, either to take profits, or in anticipation of, or to prevent losses due to, lower prices. Liquidation may be forced or voluntary. Frequently, liquidation is referred to as extending over a period of time. In this sense, liquidation forms that part of the business cycle which is characterized chiefly by falling prices, business failures, and business inactivity. (See Business Cycle, Forced Liquidation.)

(2) The termination or winding up of a business by the conversion of its assets into cash, and distribution of the proceeds, first to the creditors in their order of preference (See Liabilities), and the remainder, if any, to the owners in proportion to their holdings.

LIQUIDATOR

A person appointed by a court or designated by statute to wind up the affairs of a business. The State Superintendent of Insurance or cognate official is designated by statute to liquidate the affairs of insurance companies, title and mortgage companies, etc. placed in liquidation. Banking statutes designate Receivers to wind up the affairs of closed banks. The Federal Deposit Insurance Corporation shall be appointed by the Comptroller of the Currency receiver for closed insured National banks or insured District of Columbia banks, and in addition, the corporation shall accept appointment as receiver for closed insured State banks if such appointment is tendered by the State banking authority and is authorized or permitted by State law. (See Liquidation.)

LIQUIDITY

A term referring to that condition of an individual or business wherein a high percentage of the assets can be quickly converted into cash without involving any considerable loss by accepting sacrifice prices. Liquidity implies a high degree of currentness and solvency in the equity sense, the current assets are well able to meet current liabilities as they mature. (See Financial Solvency, Working Capital.)

LIRA

See Foreign Moneys-Italy.

LIST

An expression used to refer to the total of securities traded in on a stock exchange; in other words, a short term for Listed Securities (q.v.).

LISTED SECURITIES

Securities which have been approved and admitted or listed on a stock exchange. Each stock exchange has certain rules which must be complied with before a security is admitted to trading, and usually a stock exchange is as exclusive in admitting stocks as it is members.

On the New York Stock Exchange a committee known as the "Committee on Stock List" acts upon all applications for listing, but its decisions are subject to review by the Board of Governors. A prerequisite to listing is registration with the Securities and Exchange Commission pursuant to the Securities and Exchange Act of 1934, such registration not becoming effective until the Stock Exchange has approved listing. There are three important tests for admission of new securities. In the first place, the corporation seeking to list its securities must be seasoned, i. e., must have been in operation over a sufficiently long period to have demonstrated its essential character, its earning capacity, and the moral integrity and business capacity of its management. The New York Stock Exchange is not a tryingout place for

new and untested securities. Secondly, the corporation's records and reports bearing upon its financial condition and earning power must be made public for the benefit of investors and speculators.

Corporations whose stocks or bonds are listed are required to publish their balance sheets, earning statements, announcements of directors' and dividend meetings and opening and closing of transfer books, and it is recommended that they make available to the public any additional information which might serve as a basis for the formulation of an intelligent opinion on the value of a security, e. g., current production rate, current sales, pending orders, new contracts, financing plans, etc.

Finally, the issue must be sufficiently large, widely held and traded in to facilitate a good market. No small or inconspicuous corporation, or one whose stock is closely held by relatively few individuals would be successful in having its stock admitted.

All securities listed on the New York Stock Exchange are fully listed, there having been no unlisted trading privileges for any securities thereon since 1910. The Committee on Stock List may list or admit to dealings on an "issued" or "when issued" basis, the following:

1. Direct obligations or obligations guaranteed as to principal or interest by the United States or any State or political subdivision thereof:

2. Direct obligations of any agency or instrumentality of the United States, or of any State or political subdivision thereof;

3. Securities of an issuer having securities already listed on the Exchange.

4. Certificates of deposit, rights to subscribe and other securities issued in exchange for or growing out of securities already listed on the Exchange.

The Committee on Stock List shall submit to the Board of Governors any application acceptable to the Committee for the listing or admission to dealings of a security which the Committee is not expressly authorized by the rules to list or admit to dealings, enumerated above.

The Committee on Stock List meets weekly to consider applications for listing. Four preliminary drafts of an application must be filed at least 12 days prior to the date set for consideration by the Committee. From these drafts, an application conforming to the requirements, signed by an executive officer of the applying corporation, voting trustees, or depository committees, and 14 printed or typewritten copies, must be filed with the Committee at least 6 days prior to the date set for consideration. Duplicate originals of the application are concurrently filed with the Securities and Exchange Commission. Usually, the registration becomes effective with the Securities and Exchange Commission 30 days after receipt of approval of listing application by the Stock Exchange.

Applications must be accompanied by the required papers and agreements, and by check or fee to be drawn to the order of the Treasurer of the New York Stock Exchange. In addition, companies making application for listing are required to pay the cost of printing. An application for listing Government, State, county, or municipal securities must be signed by a properly accredited official or by financial representatives, and be accompanied by the required papers.

Every application for an original listing of capital stock shall recite:

A. Name of company, where incorporated.

B. (1) Amount applied for (whether temporary or permanent certificates); (2) authorized issue.

C. (1) Date of charter; (2) duration.

D. (1) Whether holding or operating company; (2) name of controlling or guarantor company.

E. (1) Business; (2) special rights or privileges under charter or by-laws.

F. (1) Issues (by classes), dividend rate and par value; (2) total amount of each, authorized and issued, and reacquired; (3) increases and authority therefor, including (a) action by stockholders, (b) by directors, and (c) by public authorities, etc.; (4) amount unissued, (a) options or contracts on same, (b) specific reservation for conversion.

G. (1) Whether capital stock is fully paid; (2) non-assessable; (3) whether liability attaches to shareholders; (4) voting power.

H. If Preferred Stock: (1) whether cumulative or non-cumulative; (2) preferences, including (a) voting power; (b) dividends; (c) distribution of assets on dissolution or merger; (d) redemption; (e) convertability; (f) special provisions.

I. (1) Purpose of issue; (2) net proceeds to company if issued for cash; (3) application of proceeds; (4) amount issued for securities, contracts, property, etc., with description and disposition; (5) additional property to be acquired, with particulars as required by paragraph N below.

J. (1) History of corporation; (2) of predecessor companies or firms, with location and stock issues (by classes); (3) conditions leading to new organization.

K. Tabulated list of constituent, subsidiary, owned or controlled companies, showing (a) date of organization; (b) where incorporated; (c) duration of charter; (d) business; and (e) capital stock issues (by classes), par value, amount authorized, issued, owned by parent company.

L. (1) Mortgages and (2) other indebtedness, showing (a) date; (b) maturities; (c) interest rate; (d) convertability; (e) redemption by sinking fund or otherwise; (f) amount authorized; and (g) amount issued; (3) similar information regarding mortgage and other indebtedness of constituent, subsidiary, owned, or controlled companies; (4) voting power, if any, of trustee of mortgage or of holders of debt.

M. Other liabilities, joint and several, (1) guaranties; (2) leases; (3) traffic agreements; (4) trackage agreements; (5) rentals; (6) car trusts, etc; (7) terms of each, and provision for payment; (8) similar description of other agreements or easements; (9) similar information as to constituent, subsidiary, owned or controlled companies.

N. (1) Description, location, nature and acreage of property, (a) owned in fee; (b) controlled; (c) leased; (2) railroads, mileage completed, operated and contemplated; (3) equipment; (4) character of buildings and construction; (5) tabulated list of franchises showing (a) where granted; (b) date; (c) duration; (d) purpose; (6) timber, fuel or mining lands, water rights; (7) similar information as to constituent, subsidiary, owned or controlled companies.

O. Policy as to depreciation.

P. (1) Character and amount of annual output for preceding 5 years; (2) estimated output (character and amount) for current year; (3) number of employees.

Q. (1) Dividends paid or declared; (2) by predeces-

sor, and constituent, subsidiary, owned or controlled companies

R. (1) Opinion of counsel (not an officer or director of corporation) as to the legality of (a) organization; (b) authorization; (c) issue and validity of stock; (2) name of counsel rendering opinion.

S. Statement whether or not stock is registered under National Securities Act of 1933. (If not registered, legal opinion that registration is not required, must be stated.)

T. Description of all options granted by the company to purchase stock, including number of shares covered, terms, and time within which they may be exercised

U. Financial statements; (1) earnings for preceding 5 years, if available, with interest charges, depreciation and Federal taxes; (2) income and surplus account of recent date for at least 2 years if available; (3) balance sheets of same dates; (4) balance sheet giving effect to recent financing, if any; (5) similar accounts for predecessor, constituent, subsidiary, owned or controlled companies; (6) corporation consolidated within the year previous to date of application, income and surplus account,and balance sheet of all companies merged and balance sheet of applying corpcration; (7) if in hands of receiver within one year previous to date of application, (a) income account and balance sheet of receiver at time of discharge, if available; (b) balance sheet at close of receivership if available, and (c) balance sheet at date of reorganization.

V. Certificate of independent public accountants, qualified under the laws of some State or country, certifying as to the correctness of the balance sheet, income account and surplus statement, of financial statements for most recent fiscal year, and showing scope of audit and qualifications, if any, made by the accountants in respect thereto.

W. Agreements on the part of the corporation with the Stock Exchange, contained in parts F-12 to F-16 of the Directory and Guide. (These agreements are numerous, such as agreement to maintain separate transfer and registrar agents in the Borough of Manhattan of the City of New York, notification of the Exchange of dividend payments, redemptions, changes in capitalization or business, sending of financial statements to stockholders at least once a year and interim statements of earnings, etc.)

X. Fiscal year.

Y. Place and date of annual meeting.

Z. Location of principal and other offices.

ZZ. Names of (1) directors, classified, with addresses; (2) officers; (3) transfer agents, with addresses; (4) registrars, with addresses.

In addition to the above, applications from corporations owning or operating mines, and corporations which own or operate oil and gas wells must submit additional detailed information peculiar to their operations. There are special requirements for listing securities of investment trusts, and "American Shares" representing foreign stocks, and foreign bonds.

In addition to the copies of the application for listing, the following papers must be filed, in the case of stocks:

(1) 3 copies of the charter, with amendments to date, one copy attested by proper public authority.

(2) 3 copies of by-laws, with amendments to date, one copy attested by an executive officer of the corporation.

(3) 3 copies of leases, franchises, easements and special agreements, one copy of which attested by an executive officer of the corporation.

(4) 1 copy of resolutions of stockholders and directors, and copy of proper public authority authorizing issue, if attested by an executive officer of the corporation.

(5) 1 copy of resolutions of stockholders or directors, and copy of proper public authority, authorizing issue of stock or conversion of other securities, attested by an executive officer of the corporation.

(6) 1 copy of the resolutions of stockholders or directors, directing special reservation of authorized stock for conversion, attested by an executive officer of the corporation.

(7) 1 copy of resolutions of stockholders, board of directors, or executive committee, attested by an executive officer of the corporation, authorizing, by name, the officer to appear for listing securities.

(8) 1 copy of resolution appointing transfer agent and registrar, attested by an executive officer of the corporation.

(9) Opinion of counsel (not an officer or director of the corporation) as to legality of (a) organization; (b) authorization; (c) issue; and (d) validity of securities.

The Committee on Stock List will not accept the opinion of an officer or director of an applying corporation, nor of a firm in which the officer or director is a member or counsel on any legal question affecting the corporation; nor will it accept the opinion of an officer or director of a guarantor corporation nor of a firm in which the officer or director is a member, on any legal question affecting the issuance of guaranteed securities.

(10) Opinion of counsel to the effect that registration under the National Securities Act of 1933 is not required (where the securities are not registered).

(11) 15 copies of detailed distribution of securities, one certified.

(12) Certificate of transfer agent of amount of securities issued at date of application.

(13) Certificate of registrar of amount of securities registered at date of application.

(14) Notice of availability of security for trading (issues, certificates, transfers and exchanges).

(15) Report of qualified engineer, covering actual physical condition of property at recent date.

(16) Map of property and contemplated extensions.

(17) Specimens of all securities to be listed.

(18) Questionnaire. (This contains a series of questions, establishing among other things, the relationship to the corporation of the person or persons applying for listing.)

(19) Certified copy of income accounts, surplus accounts, and balance sheets contained in the application.

(20) Agreements. (As specified in F-12 to F-16 of the Directory and Guide.)

(21) Notice from company as to amount of security taken by underwriters.

(22) Loan or security agreement (when required).

(23) Certified copy of printed circular issued by bankers describing the security, if available.

(24) Copy of prospectus issued under National Securities Act of 1933, if available.

(25) At time of filing of original application, a

letter containing the following information:

(a) Volume of trading (total number of shares traded for at least a 2-week period).
(b) State where stock is traded (give name or names of Exchanges, or, if not listed, state so).
(c) State price (bid and offer--also high and low for year), and
(d) Name bankers (if none, state so).

A feature in the list of requirements is the rules governing transfer and registry of listed issues. The Stock Exchange requires each company desiring to list its securities on the Exchange to maintain in the Borough of Manhattan, New York City, two offices or agencies, one for the transfer and the other for the registry of the securities in question. A corporation may prefer to maintain its own transfer office, or it may appoint a trust company to perform the work for it. But no corporation can act as its own registrar, nor can the same trust company act as both transfer agent and registrar for the same security issue. Thus the registrar acts as a check on the transfer office or transfer agent, and eliminates the danger of overissuance of stocks or bonds. The registrar is in fact the representative o. the Stock Exchange, and is by virtue of the listing requirements under the Exchange's control. These regulations of the Exchange, aimed at the old evil of overissuing corporate securities, have proved so effective that the possibility of danger from this source has been very largely forgotten by the general public.

The main body of the list of requirements is devoted to eliciting essential information regarding the applicant corporation which the investor must have to form for himself an adequate opinion of the proper investment value of its securities. The information sought places particular stress on the capital structure of the corporation, and the exact relationship in this structure of the security issue to be listed, the company's assets and liabilities, its earnings and dividend payments, past and present, and many other such vital elements in its business. The specific questions on these and other such matters which the Exchange asks, have been formulated after the long experience of the New York Stock Exchange and its Board of Governors with securities and security marketing.

Certain erroneous impressions may be current with regard to the listing of securities. Listing is no guarantee of the worth of a security, e. g., that it is safe or will not fluctuate in value. It does not mean that such stocks will bear dividends, maintain their dividend rate, or not decline in value. Neither does it mean that bonds will certainly be paid, or that interest will not be defaulted. The Stock Exchange assumes no responsibility and affords no guaranty.

The advantages of listing, however, are important. The requirement of the publication of reports of financial condition and of earnings increases publicity and therefore permits accurate knowledge of equities in earnings and of business conditions leading to proper estimates of security values. It prevents a declaration of secret dividends, since due notice must be given for all dividend payments, new stock issues, etc. It also prevents forgeries and over-issue of stock. The Stock Exchange does guarantee the physical genuineness of the securities traded in and forces machinery upon corporations to prevent frauds in false certificates and over-issues. Thus, certificates must be engraved on a tested kind of safety paper approved by the Exchange and each corporation must maintain a separate agent who is responsible for transfers, and a registrar who is responsible for over-issue

Finally, listing increases the marketability and collateral value of securities, making it easier to borrow on them and giving them a greater hypothecary value. Only listed securities usually are required as collateral.

Through the requirements for registration under the Securities and Exchange Act of 1934, which require a high degree of detail and disclosure, listing requirements for national securities exchanges have become well standardized.

(See National Securities Exchanges, New York Stock Exchange, Securities Act of 1933, Securities and Exchange Act of 1934.)

LISTING

The admission of a security full listing on a stock exchange, as compared with unlisted trading privileges allowed for non-fully listed securities by some stock exchanges. (See Listed Securities.)

LITTLE BOARD

See Board.

LIVE STOCK LOANS

See Cattle Loans.

LIVING TRUST

A form of trust by which the person who creates it (known as the trustor, donor, creator, or grantor), transfers title to certain property (securities, real estate, etc.) to a trustee with instructions to apply the income according to the terms of the trust agreement. The agreement may call for reinvestment of the income, or for a distribution of the income in whole or in part to designated beneficiaries, and often to the trustor himself. The trustee renders a statement of account to the trustor at stated intervals.

This form of trust, also known as an "inter vivos" trust or as a voluntary trust, differs from the testamentary trust in that it becomes operative during the lifetime of the creator. It may be so drawn as to render unnecessary the making of a will, or in case only a part of the creator's property is placed in trust, his will need dispose only of the remainder. Special kinds of living trusts are: retirement trusts, life insurance trusts, pension and profit-sharing trusts, etc.

Living trusts may be made revocable and subject to change, or irrevocable and not subject to change, even by the creator himself. If irrevocable, the property transferred becomes subject to the Federal gift tax. If revocable, and other incidents of ownership are retained by the settlor, the property will be subject to the Federal estate tax at death of the settlor as part of his estate. These trusts make it possible for persons of means to retire from the active management of their businesses by being relieved of all details in connection with the administration of the affairs of their property. Thus, the trustee becomes bound to maintain the property intact, to collect all rents, interest, dividends, and profits, and to remit the proceeds to the beneficiary, wherever he may reside. The most usual sales arguments advanced in favor of the voluntary trust are the following:

1. That it may save taxes. This is a highly technical and empirical subject, depending on the tax position,

from the standpoint of gift taxes and estate and inheritance taxes, of the particular estate.

2. That it gives the grantor an opportunity to see the trust in operation during his lifetime. This argument implies that if the voluntary trust proves satisfactory it can be left unchanged in details and allowed to operate similarly after the grantor's death, and if unsatisfactory it can presumably be changed or revoked. The best type of voluntary trust for older settlors is one irrevocable and non-amendable, to which this implication does not apply. The amendable type of trust could be changed and the revocable type could be terminated and be succeeded by an altered trust during the grantor's lifetime, and is usually preferred for younger settlors during whose lives conditions might change.

3. That the voluntary trust offers, through the ability of the corporate fiduciary as trustee, expert management of the investments.

The risks to which an estate is subject do not begin at the owner's death. The money which the owner has today, and of which he has settled the future disposition by will, may be gone before death of the testator and probate of the will. Thus, assurance of provision for beneficiaries, without the danger that the loss of the settlor's fortune during his remaining lifetime would wipe out such provision, is provided effectively and surely by the living trust.

(See Insurance Trust, Trusts.)

LLOYD'S

An association of English insurance underwriters, known as "Underwriters at Lloyd's", the oldest insurance organization in existence.

Starting in the seventeenth century as a small market in Edward Lloyd's coffee house, it has now become a powerful insurance association (the most famous in the world) whose members underwrite as individuals under the supervision of the Governing Committee. While this institution, now known all over the world, is particularly known for the underwriting of marine risks and such business as is incidental thereto, e. g., publication of Lloyd's Register, there is probably no class of calculable risk, however fantastic, which these underwriters will not insure. Besides writing policies, the house has agents all over the world collecting information, aiding ships in distress, salvaging damaged goods, and adjusting insurance claims.

Each member of Lloyd's is required to deposit with the Governing Committee a minimum of £ 5,000 and substantially more in most cases according to the extent of business underwritten. In addition, individual deposits or guarantees, currently aggregating over £ 16,000,000, are required for non-marine business by the Board of Trade pursuant to act of Parliament. Each Lloyd's underwriter is subject to unlimited personal liability for his underwriting obligations.

For the protection of American underwriting liabilities, a trust fund of approximately $40,000,000 was deposited August 28, 1939 with an American trust company to cover any claims on American policies which were not met within 30 days. In addition, Underwriters at Lloyd's are directly entered to do business in Illinois, where trust deposits of $2,350,000 and non-trust funds of over $2,200,000 are available for protection of policies, and in Kentucky, where deposits of $350,000 are available.

The chairman of Lloyd's attributes its high prestige to four causes: (1) its policies are first-class security; (2) reputation which has been gained for prompt, just and liberal settlement of all straight-forward claims; (3) the market is readily adaptable to new risks and the changing needs and conditions of business, and (4) is the center of the finest shipping news service that the world has ever possessed, and is connected by tradition and by name with great institution known as Lloyd's Registry.

Lloyd's Register has become the recognized information bureau for all the shipping of the world. This register contains a list of the ships of all nations, giving their names, and such descriptive details as length, breadth, depth, displacement, cargo space, horsepower, country of registry, etc.

Lloyd's now have a representative or agent in every principal seaport of the world who forwards information continually in regard to vessel movements, disasters, and storms, to London. These agents do not themselves place insurance, but are representatives of Lloyd's organization only, and are appointed to look after Lloyd's interests, collect information, assist in the adjusting or appraising of losses, etc.

LOAD

This term has two meanings:

(1) In connection with open-end investment company issues, the load is the difference between the selling price of the investment company shares, and the net asset value of the underlying securities. It represents the cost of a number of factors, e. g., organization and distribution costs (including profit), trustee's fees, brokerage, cost of mailing dividends, etc. The load normally ranges from 6 per cent. to 8 3/4 per cent. of net asset value.

(2) In connection with utility properties, the load represents the use of the facilities of the property. An electric utility for example may have an available capacity of 1,000,000 KW. The load placed upon the capacity will vary according to the use of electricity by the utility's customers. The maximum use at a given time is called the peak load. In the above case, if 600,000 KW are used, the load is 60 per cent. of capacity. A utility must have capacity to supply peak load requirements both on a diurnal and seasonal basis.

LOAD UP

An expression to indicate the purchase of a security or commodity to the limit of one's financial capacity for speculative purposes. To be loaded up means to be "long" of an undesirable security or commodity which cannot be easily disposed of except at a loss.

LOAN

See Loans.

LOAN AND TRUST COMPANY

See Trust Company.

LOAN CAPITAL

That portion of the capital of a corporation furnished by long and short term creditors, e. g., bondholders, noteholders, banks, etc., evidenced by instruments having definite maturities, as distinguished from share capital which is contributed by the stockholders.

LOAN CERTIFICATES

See Clearing House Loan Certificates.

LOAN CONTRACT

See General Loan and Collateral Agreement.

LOAN CROWD

An expression used to refer to those brokers, members of a stock exchange, who desire either to borrow or lend stocks, and who usually meet at a designated spot of the exchange. (See Borrowed Stocks, Short Sale.)

LOAN DEPARTMENT

The department of a bank, which under the direction of the loan officers, executes the clerical details in connection with loan transactions. This involves the preparation of notes for signature, examination of collateral or guaranty contracts, and the proper keeping of the loan records. Loans usually are recorded on a card, and in the loan register, loan ledger, maturity tickler, and rate sheet. The loan department is also charged with seeing that the collateral loans are adequately margined, that notes are presented for collection on the date of maturity, that collateral comparisons are made periodically, that interest statements are promptly forwarded, and with making substitutions in collateral at the request of stock exchange borrowers.

LOAN LEDGER

See Liability Ledger.

LOAN MARKET

See Call Money Market, Money Market, Rediscount Rate.

LOAN RATES

See Call Money Market, Money Market, Rediscount Rates.

LOAN REGISTER

A journal or register in which time loans are entered in the order in which they are granted. Since time loans usually are consecutively numbered, entries are in numerical as well as chronological order. This register is an original entry record and contains the complete details of the terms of each loan. (See Bills Discounted Register.)

LOANING RATES

See Lending Rate.

LOANS

The letting out or renting of sums of money by a lender to a borrower to be repaid with or without interest. Long term and intermediate loans covering a period of over one year, are usually evidenced by bonds, debentures, mortgages, deeds of trust, or certificates of indebtedness. Short term bank loans are evidenced by notes, bills of exchange, acceptances, and loan and collateral contracts.

There are numerous possible classifications of bank loans, some of the most important of which are as follows:

1. According to maturity.

(a) Demand loans, terminable at the option of either the lender or borrower.

(b) Time loans, which have a fixed or determinable maturity.

2. According to character of borrower.

(a) Commercial loans—made to business concerns (producers, manufacturers, wholesalers, jobbers and retailers), to furnish working capital for financing the purchase of commodities in the various stages of production and distribution. These loans are usually seasonable or automatic in character, and are required only temporarily. Commercial loans are regarded as self-liquidating for the reason that they are discharged through the proceeds of sale of the commodities financed. Such loans, therefore, usually represent investments in current or quick assets, which in the ordinary course of business, are quickly converted into cash. Short-term loans, usually ranging from 30 days to six months, the majority having maturities of three and four months, constitute the majority of the assets of a commercial bank. In addition, in recent decades commercial banks have developed substantial volume in term loans, representing advances for terms up to 10 years usually, repayable serially, for working capital, refunding or other long term purposes, in competition with investment bankers and life insurance companies active in this field.

(b) Stock exchange or brokers' loans—made to stock exchange brokers upon stock exchange collateral, amply secured in accordance with regulations of the Board of Governors of the Federal Reserve System, who in turn lend the proceeds to speculators operating with margin accounts.

(c) Speculative loans—made to individuals for trading or speculating in stocks, bonds, or commodities. Such loans are collateraled with ample margin and in accordance with margin regulations.

(d) Farm or farm mortgage loans made to farmers to finance the purchase of improved farm land and equipment, or to pay off existing indebtedness.

(e) Agricultural loans—made to farmers for the purpose of financing the planting or harvesting of crops, or the raising and marketing of live stock. Due to the time involved in these pursuits, these loans are of longer maturities than commercial loans. The Federal Reserve Act now permits loans made upon agricultural paper, with a maturity not exceeding nine months (six months before the Agricultural Credit Act of 1923 was passed), to be eligible for rediscount at the Federal Reserve banks. There are several sub-divisions of agricultural loans, such as cattle loans, cotton loans, grain loans, etc.

(f) Real estate or mortgage loans—made to buyers of real estate on a long term basis. Formerly, under the National Bank Act, National banks were not allowed to make loans upon real estate. Lending upon real estate mortgage security was regarded as a function of savings banks, since their deposits are accepted on a time basis and the right of 30 to 60 days' notice for withdrawal of deposits may be exercised when necessary. By amendments of the Federal Reserve Act (Section 24), any National bank may make real estate loans secured by first liens upon improved real estate, including improved farm land and improved business and residential properties. Such loans shall not exceed 50% of the appraised value of the real estate offered as security and shall not be made for a term longer than 5 years, except that: (1) any such loan may be made in an amount not exceeding 60% of the appraised value and for a term not longer than 10 years if the loans is secured by an amortized mortgage or other instrument under whose terms the instalments are sufficient to amortize 40% or

more of the principal within a period of not more than 10 years; and (2) these limitations shall not apply to real estate loans insured under Title II of the National Housing Act. No National bank shall make such loans in an aggregate sum in excess of its capital stock paid in and unimpaired plus unimpaired surplus fund, or in excess of 60% of its time and savings deposits, whichever is the greater

(g) Consumption loans—The loans above referred to are made for productive purposes, i. e., for the furtherance of productive enterprise. When loans are made for the purpose of purchasing goods destined for immediate consumption, e. g., pleasure automobiles, furniture, vacation trips, etc., they are consumption loans rather than production loans. Such loans are not self-liquidating but in recent years, commercial banks have entered the field of personal and consumers loans in substantial volume.

3. According to security

(a) With collateral security, i. e., supported by valuable property which is transferable and has a ready and reliable market, e. g., bonds, stocks, bills of lading, warehouse receipts, mortgages, real estate, etc.

(b) With personal security, as evidenced by the indorsement or guaranty of a name or names other than the maker of the note. Such loans are known as two-name, three-name paper, etc. (See Guaranty.)

(c) Without either collateral or personal security.

4. According to obligation or number of names responsible for payment.

(a) One-name paper, for which only one party is responsible for payment.

(b) Two-name paper, for which two names, either as joint makers or one party as indorser, guarantor or accommodation party, are responsible for payment. Trade and bankers' acceptances are of necessity at least two-name paper, the acceptor becoming the maker, and the payer (drawer), the indorser. For the reason that acceptances are at least two-name paper, they are preferred as investments over single name paper.

(c) Three-name paper, etc., in which three names are responsible for payment. Either notes or drafts may be signed by three or even more parties who are responsible for payment.

5. According to whether interest is paid at the time the note is made or at maturity.

(a) Loans on which interest is paid at maturity. Interest on demand loans usually is paid monthly, quarterly, or upon retirement. Interest on time loans is paid quarterly, semi-annually, or at maturity.

(b) Discounts—on which the interest is paid in advance at the time the loan is made. The distinction between loans and discounts is merely one of difference in the time of payment, a discount being collected in advance at the time the advance is made.

Loans may also be classified accordingto: (1) rate of interest; (2) location of borrower; (3) business of the borrower, and (4) whether eligible for re-discount with a Federal Reserve Bank. (See Agricultural Paper, Amortization Loans, Bills Discounted, Call Money Market, Cattle Loans, Collateral, Commercial Paper, Credit, Discount, Eligibility, Farm Credits Act, Farm Mortgages, Intermediate Credit Banks, Limitations on Bank Loans, Line of Credit, Mortgage Notes, Open Market Purchases, Personal Loans, Small Loans, Term Loans.)

LOANS FOR ACCOUNT OF OTHERS

Loans to brokers and dealers by others than banks, handled by banks for the account of these "others", usually non-banking corporations seeking to lend money profitabiy Because such lenders were beyond direct control of the Federal Reserve System, they were importantly responsible for the inflation in security loans in the late '20s. Loans to brokers and dealers by other than banking lenders are estimated to have reached a peak of $6.4 billion in October, 1929, compared with $3.7 billion in October, 1928. Such loans have been virtually abolished by the Banking Act of 1933 and the Securities Exchange Act of 1934. (See Brokers' Loans.)

LOANS, PARTICIPATION IN

See Participation Loans

LOGARITHMS

A mathematical system of great usefulness in shortening long multiplication and division. A logarithm is defined as the exponent of the power necessary to raise a fixed number (the base) to produce a given number. Thus, the logarithm of 100 is 2, because 10 raised to the second power (10^2) equals 100. Logarithms of numbers between 1 and 10 consist of decimals; of numbers between 10 and 100, the integer 1 and a decimal; of numbers between 100 and 1,000, the integer 2 and a decimal, etc. By recourse to a table of logarithms and formula, the most accurate bonds yields to maturity may be computed. (See Yield.)

LOMBARD LOANS

A financial term used in England and certain European countries to designate loans secured by bonds and shares. The term derives its name from Lombard Street, the Wall Street of London, but is also used in other countries. The term usually refers to collateral loans made by the central bank to commercial banks. The term Lombard Loans designates loans on securities, similar to what are called "collateral" or "street" loans in the United States, except that Lombard Loans are time loans while in the United States these loans are usually demand loans. Lombard Loans are at somewhat higher interest rates than commercial loans and are limited in time-duration by the policy of the central bank in regard to time-duration of its discounts. The term is less strictly used to designate collateral loans generally, without reference to its technical central reserve bank origin. (See Bank of England.)

LOMBARD STREET

An expression used to denote financial London, corresponding to the use of Wall Street, which refers to financial New York. As described by one English writer, Lombard Street represents, "the clearing banks of London, the discount houses, the bill brokers, and all the moneyed interests."

LONDON EQUIVALENT

Under normal conditions, the price at which a security in London must be quoted to equal the New York price, being greater or less, depending upon the rate of exchange, cost of shipment, loss of interest, etc.

Free adjustment of London and New York security prices, however, has been impeded in recent decades by transfer regulations and exchange restrictions. Thus, in recent years sterling securities have been selling in the New York market at sharp price concessions because any proceeds from sale of such securities are

blocked and can only be used for reinvestment in certain designated securities. On the other hand, dividends and interest have been convertible lawfully into dollars at full official sterling rate of exchange.

Latest transfer regulations of the Bank of England curb drastically the freedom of foreign investors to: (1) switch from one sterling security to another; and (2) to sell their holdings in a free market such as New York. The new restrictions (1) prohibit the issuance of certificates for export of sterling-bearer securities; (2) ban the transfer of ownership of a bearer security from the national of one foreign country to the national of another; (3) divide all sterling securities into 13 different groups and require that proceeds from the sale of securities in any one group can be used only for reinvestment in securities of the same group; (4) further require that if the equity behind the sterling security is located in a foreign country, the switching must be limited to a like type of equity of the same nation.

(See Arbitrage, Arbitration of Exchange, Back Spread, Commercial Parities.)

LONDON EXCHANGE

See Sterling Exchange.

LONDON MONEY MARKET

In London there is no such thing as brokers' loans as understood in the United States. There is no call money market against brokers' loans. When one talks of the London money market, reference is had to the bill market, and the market for Government securities. The bill market corresponds to the bankers' acceptance market in this country, and through buying and selling of Government securities, the Bank of England directly influences money market conditions, just as the Federal Reserve System does in the United States through open market operations. The London Stock Exchange houses get their accommodation for carrying stocks from their own bankers. The charge is generally 1% above the Bank of England's rediscount rate. The rate for carrying the stock is fixed every two weeks and is not subject to change unless in the interim there has been a change in the Bank of England rediscount rate. Collateral loans of the London Stock Exchange operators are generally of no direct effect on money market conditions, except in times of much speculation in securities and tight money market conditions.

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LONDON RATES

Rates of exchange for the different classes of sterling bills (cables, checks, 30, 60, and 90 day bills), etc., as quoted in London.

LONDON STOCK EXCHANGE

The most important European stock exchange, and one of the best-known markets in the world. In July, 1773, it was formally organized as The Stock Exchange after informal development since the reign of William III, in the coffee houses in Change Alley, Jonathan's and Garraway's, in the Royal Exchange and offices of the East India Company and Hudson's Bay Company, and New Jonathan's. The New Jonathan's building was subsequently outgrown, and a new building was opened in March, 1802 near the Bank of England.

In 1853, the Stock Exchange was rebuilt and the membership increased to 2,000. Growth necessitated extension in 1881 when the building was enlarged to accommodate 1,500 more members. At the present time, the total membership is about 4,000 but it is theoretically unlimited. Admission is carefully restricted, and membership is not for life but subject to renewal each year. Membership may be gained by ownership of at least one share of the capital stock and payment of fees totaling £ 1,150, and obtaining the personal surety of three members for four years for the sum of £ 500 each. Those who have served four years' apprenticeship as clerks may become candidates for admission on reduced fees. Each member may have one authorized clerk, two unauthorized clerks, and two settling room clerks. An authorized clerk may transact business in the Exchange in behalf of the member by whom he is employed, but unauthorized clerks have only a right to enter the house but not to transact business within it.

The London Stock Exchange is in reality a building owned by certain proprietors and used for the purpose of carrying on a market in bonds and shares. It is not regulated in any manner by charter or statute, the city's authority over brokers having ended with the passage of an "Act for the Relief of Brokers for the City of London." The capital of this association of proprietors is £ 720,000 divided into 20,000 shares, most of which are owned by members, and which is listed on the Exchange itself. In addition, there is an issue of £ 250,000 in Debentures, also listed on the Exchange. No one may own more than 200 shares of the stock. The shares carry unlimited liability, and are assessable should additional capital be needed, although not more than £ 2 per share may be assessed in any one year. The administration of the Stock Exchange is vested in two bodies. They are the Managers and the Committee for General Purposes. The Committee has absolute control over the methods of business and admission of new members.

Under reorganization plan proposed in 1947, a single Council will have charge, first steps toward joint control having been taken in 1945, when a Council composed of Trustees and members of the Committee for General Purposes had been formed. The new Council will have sole control of the Stock Exchange. Present capital stock will be converted into Annuities, carrying 4% interest rate, redeemable after 5 years in whole or in part at £ 100 per annum, with repayment of the Annuities expected to be repaid over a period of about 35 years. The Annuities will be without voting power, and holders will not have the privilege of attending meetings, except in the case of meetings called to vary their rights. Reorganization plan also calls for the rebuilding of the building and increasing facilities.

Listing requirements differ from those of the New York Stock Exchange. The Committee examines the affairs of the applicant company and inquires into the personnel behind it. Past earnings are not required. Stocks and bonds of foreign companies may be listed to official quotation provided they are listed on a stock exchange in their own country. There is no "curb" exchange in London. London Stock Exchange members are forbidden to advertise, even to the name and address of the broker. Branch offices are prohibited. Offices

are required to be in the immediate vicinity of the Exchange.

Business on the Exchange is divided into "markets," each composed of a number of jobbers and brokers who specialize in securities of a certain class. Each market has its own separate position on the floor and a broker wishing to buy or sell securities goes to the place where that market is held. The principal markets are. Consols, British Railways, Foreign Stocks and Shares, American Shares and Bonds, Indian Railways, Trunk and Colonial, South American Railways, Banks, Nitrates, Rubbers, and Mining Shares. Underwriters of new issues utilize the Exchange to establish a market for new issues, thus facilitating sale and marketability.

Publicity is lacking as compared with American exchanges, although there is the "Daily Official List," published under authority of the committee at about 5 p. m. each evening. Neither the volume of transactions nor total market value of securities is obtainable. The committee does not accept any responsibility for the status of shares and stocks quoted. There is no ticker service.

Members of the exchange are of two classes, Brokers and Jobbers. The regulations provide that (1) no member shall carry on business both as broker and jobber, (2) no partnerships between brokers and jobbers shall be created, and (3) no member shall change his status from broker to jobber or vice versa without first giving a month's notice to the committee. No person is eligible for membership who is engaged as principal or employee in any other business, or whose wife is so engaged.

Brokers deal with the outside public, and execute their clients' orders to buy and sell with the jobbers who are middlemen between those brokers who have securities to buy and those who have them to sell. The broker's compensation is the commission charged for executing the order, while the jobber's profit consists of the difference between the buying and selling prices. Jobbers are prohibited from dealing with the public.

On receiving an order from a client, the broker buys or sells from a jobber, as the case may be. Unless the client's Limit (q.v.) can be met, however, the order cannot be executed. If the order is executed, the broker forwards a contract note to the client in which the amount due and the settlement day are indicated.

The London Stock Exchange operates on a periodic instead of a daily settlement plan. There are two settlements per month, one near the middle, and the other near the end, of the month. All transactions within the period are to be settled at the next settlement day. There is some business done on a cash and immediate delivery basis, as on the New York Stock Exchange. If a client does not wish to complete a purchase on the settlement day, his broker may arrange to carry payment over to the following settlement day. But for this service the client pays Contango (q.v.)

For the method of settlement, see Settlement Days.

LONG

A buyer or holder of stocks or bonds, usually on margin. One is "long" of a security when he owns more than he has contracts to deliver. The term is the opposite of Short (q.v.). When bulls have been buying they are long of the market or long of stock, and are those who have bought in expectation of an advance in prices. Long stock is held by bulls in distinction to short stock needed by bears. Those who are long of stock constitute the long interest in the market.

LONG ACCOUNT

First read Long.

A term meaning the same as Long Interest (q.v.), which may refer to one security, or to the general market, and means the aggregate of securities purchased or held, usually on margin, in expectation of a rise.

LONG BILL (DRAFT)

A long-term bill; a bill of exchange drawn at say, 30 days' sight, or more. Long bills are usually drawn from sixty to ninety days after sight, and in Far Eastern shipments from four to six months after sight. (See Foreign Bills of Exchange.)

LONG-DATED BILL

See Long Bill.

LONG INTEREST

A term referring to the collective speculative ownership of a particular stock, or stocks in general; the aggregate holdings of the bull speculators. (See Long.)

LONG MARKET

An over-bought market. (See Over-bought.)

LONG OF EXCHANGE

To hold more exchange on a given country than one has sold.

LONG OF THE MARKET

See Long.

LONG PULL

An expression to denote the purchase or sale of a security with full expectation of holding it for a considerable period of time before a profit can be realized. A speculative commitment made with the realization that the position must be maintained for a relatively long period, and is to be distinguished from commitments made "for a turn." Thus a security is said to be a purchase or a sale for the long pull. Speculators for the long pull naturally anticipate a larger profit on a single transaction than those who buy or sell "for a turn."

LONG RATE

This term has two meanings:

(1) In foreign exchange, the rate at which long bills (drawn at 30 days' sight or more) and payable in another country, will be bought by the quoting bank or foreign exchange broker. Long rates are usually quoted for 30, 60 and 90 day bills, and are to be distinguished from the rate for cables, checks (demand drafts) and short bills. The long rate is determined as follows: The check rate is the basic rate. To this should be subtracted interest at the discount rate abroad for the period of the tenor, and then add the necessary revenue stamps, correspondent's collection charge, etc. This result is subject to further slight modification under exceptionally heavy or slack demand for the particular class of bill.

(2) In fire insurance, a rate made for a premium covering a policy to remain in force for more than one year. Thus a long rate is given a three year policy,

which is twice that of the annual rate. The rate for a five year policy is three times the annual rate.

LONG SIDE

See Long Interest.

LONG STERLING

Time bills of exchange drawn on London at 30 days' sight or more. (See Long Bills.)

LONG STOCK

See Long.

LOS ANGELES STOCK EXCHANGE

Founded in 1899, the Los Angeles Stock Exchange is one of the 17 regional securities exchanges registered under the Securities Exchange Act of 1934. There are 49 member firms, and standing committees include Admissions, Business Conduct and Arbitration, Floor Trading, Auditing, Clearings, Stock List, and Member Firms. Trading hours afford 2 1/2 hours extra trading time after the New York close.

For the fiscal year ended June 30, 1947, the Securities and Exchange Commission reports that total market value of sales effected on the Los Angeles Stock Exchange was $104,406,000, consisting of $103,810,000 in stocks (9,989,000 shares) and $596,000 volume in rights and warrants (414,000). Total listings aggregate 212 issues, of which 129 issues are registered, 82 issues admitted to unlisted trading privileges, and 1 issue temporarily exempt from registration. Over 86% of these issues were traded on one or more other securities exchanges. Bond issues listed totaled 6, all traded on one or more other securities exchanges.

(See National Securities Exchanges.)

LOSSES

The chief losses to which a bank is subject are: (1) bad loans and investments, (2) cashing forged, altered, or stop payment checks, (3) accepting counterfeits, (4) defalcations or thefts by dishonest employees, and (5) trading losses in foreign exchange or in securities. Some of these losses can be insured against. (See Bad Debts.)

LOST BANK BOOK

See Lost Pass Book.

LOST BONDS

See Care of Securities.

LOST PASS BOOK

The loss of a pass book for a commercial account is of no serious consequence since the pass book is only a memorandum of deposits. It is neither a book of original entry nor a statement of account, and if lost, cannot be used by another person for making withdrawals. In checking or commercial accounts the deposit slip is the important document and becomes the original entry record.

Among savings banks, however, the pass book is an important instrument, being at once a contract, and the only means by which the depositor makes both deposits and withdrawals. In New York savings bank practice, "if a pass brook is lost, the depositor should immediately notify the bank and if, after a reasonable time, the book is not found and the balance therein is not over $10.00, a receipt shall be taken for the balance, stating that the pass book is lost. If the balance due on the book is more than $10.00, and not exceeding $50.00, the depositor shall make an affidavit as to the loss of the book, and give a receipt for the balance. If the balance due is more than $50.00, the depositor shall execute to the bank a bond of indemnity for twice the amount of said value with sureties to be approved by officers of the bank. In all cases of lost books the account shall be closed and the balance, if not withdrawn, shall be transferred to a new account under another number.

"If a savings bank book be accidentally destroyed or lost and the owner makes an affidavit to that effect, and of its circumstances, and gives a receipt for money drawn on such account, such money will be paid, unless the case be such as to afford reasonable ground of suspicion or fraud. In all cases of loss or destruction of savings bank books, any officer of the bank may require a bond with sufficient sureties conditioned to indemnify the savings bank from loss by reason of making such payments, before the same shall be made" (Kniffin, W. H., Jr.: The Savings Bank and Its Practical Work).

Most New York City savings banks, however, merely require that upon identification, with proof of loss satisfactory to the bank, payments may be made, upon proper receipts therefor, of balances due on such accounts in accordance with the books of the bank, and such accounts closed. The officials of the bank may require that such loss be advertised in a newspaper circulating in New York City and may further require that 30 days shall elapse thereafter before such payments be made.

(See Pass Book.)

LOST STOCK CERTIFICATES

See Care of Securities.

LOTTERY BONDS

Bonds which may be called by lottery for redemption prior to maturity, for which the holder is paid in addition to the principal and interest a substantial cash bounty much larger than the ordinary small premium involved in callable bonds. Lottery bonds bear definite numbers and certain numbers are selected for repayment at specified lottery premiums each year, thus introducing the gambling feature which makes them attractive to a certain class of investors. Advertisements of the sale of lottery bonds are prohibited from the United States mails and shipments prohibited from interstate commerce. Lottery bonds cannot, therefore, be marketed in this country, although they have been common among French and Belgian internal municipal issues and were important in Russian Government financing during Czarist regime.

LOUIS D'OR

A gold coin of France, the 20-franc piece. International currency unit of France is the franc (see Foreign Moneys--France).

MACE

A Chinese weight and money of account equal to 1/10th of a tael, which in turn is a Chinese money of account, equal to the value of a tael of silver. International currency unit of China is the national dollar, consisting of 100 cents. Because of rampant inflation, the national dollar is currently (1948) quoted at nominal figures in relation to the American dollar.

(See Foreign Moneys--China.)

MacMILLAN COMMITTEE

A committee, with the full title of Committee on Finance and Industry, appointed by the British Government on November 5, 1929, composed of leading and distinguished experts in banking and finance, and headed by Lord MacMillan, "to inquire into banking, and finance and credit, paying regard to the factors both internal and international which govern their operation, and to make recommendations calculated to enable these agencies to promote the development of trade and commerce and the employment of labor."

One of the findings of this committee, which submitted its report in mid-Summer, 1931, was that the gold reserve of the Bank of England should be not less than £ 150,000,000, compared with gold reserves reported at the close of August, 1931 of some £ 134,000,000. On Sept. 21, 1931, England went off gold when the Bank of England was relieved of the obligation to sell gold at fixed statutory price.

(See Bank of England, Gold Standard.)

MAIL PAYMENT

A means sometimes employed in remitting small sums of money abroad, differing in no essential respect from remitting by means of check. For example, suppose "A" of New York wishes to remit $100 worth of francs to "B" in Paris. "A" would apply to his bank in New York to make payment to "B" in Paris, requesting the bank to charge his account for the amount and costs. The bank then would ascertain the current rate for francs and compute the number of francs that $100 would buy. Supposing the rate to be 0.475 cents,21,052.6 francs could be purchased for $100. To this, would be added cost of postage.

Because mail payment remittances are for small amounts, rates are somewhat higher than for checks. When mail payments are made in dollars, a small commission, usually 1/4 per cent, is charged in addition to postage. The issuing bank then writes to its Paris correspondent asking it to pay "B" of Paris 21,052.6 francs and to charge its account therefor. The Paris correspondent then makes payment by means of the most convenient method (a) sending "B" a check drawn on itself (b) sending actual currency by registered mail, or (c) requesting "B" to call personally for the funds.

MAIL TELLER

The teller of a bank (sometimes known as fourth teller) in charge of receiving, assorting, proving and accounting for deposits which arrive by mail. Among larger city banks deposits from individual customers and correspondent banks located out of town are as heavy in volume as deposits received over the receiving teller's window. A large clerical force is needed to attend to the detail necessary to properly dispose of these deposits and it is the duty of the mail teller to supervise this work. A large part of this detail consists of assorting the checks according to the various collection agencies and proving the deposits with the deposit slips. Some will be collected through the local clearing house, others by messenger, others through the transit department and the home debits will be charged to customers' accounts. Usually the mail teller also administers the work of assorting clearing house items among the various clearing house banks, and has charge of the out-going exchanges.

MAINTENANCE

In railroad accounting, maintenance refers to maintenance of way and structures and maintenance of equipment, two expense items in railroad income accounts which are of more than passing interest to the investor in railroad securities because to an important extent their provision is controllable by railroad management.

The maintenance account in railroad retirement accounting determines the proportion of gross revenues provided for depreciation and repairs. Originally, in the system of accounts prescribed for railroads by the Interstate Commerce Commission in 1914, depreciation of fixed improvements was left to the discretion of railroad management. However, depreciation of equipment has been required since 1928, and effective January 1, 1943, the Interstate Commerce Commission has also required railroads to depreciate their fixed property (except for track accounts).

Maintenance provision is affected by the volume of traffic, the availability of materials and labor, and the management's accounting policy in expanding or deferring maintenance. Normally, maintenance provision runs between 32% and 37% of gross revenues (13% for way, 19% for equipment, to 15% for way, 22% for equipment,)but these are empirical ratios, and depend upon the period chosen. Thus, during World War II, railroads were permitted to accelerate amortization of defense facilities and equipment over a 5-year period, which led to high maintenance ratios. Also, following World War II, many managements instituted large capital improvements programs, and began to provide for maintenance deferred during the war years. Individual variations among railroads may be noted by reference to Account 284 in Interstate Commerce Commission Reports (Depreciation Rates--Equipment Used, Owned or Leased From Others), which requires railroads to state the percentage depreciation rates for steam locomotives, other locomotives, freight-train cars, passenger-train cars, floating equipment, work equipment and miscellaneous equipment. Also, Account 286A requires railroads to state the percentages used for computing the amounts charged to operating expense and other accounts and credited to Road and Miscellaneous Physical Property account for depreciation during the year on various classes of road and miscellaneous physical property, together with the estimated life of the property upon which such percentages are based. (See Railroad Earnings.)

MAJORITY STOCKHOLDERS

The stockholders representing the controlling interest in a corporation. Ownership of over 50 per cent. of the stock is necessary for this purpose, but in large public-

ly owned corporations, effective control is usually achieved by minority holdings combined with effective use of proxies from remaining scattered small holders. (See Proxy)

MAKER

The person or persons who execute a promissory note and thus are primarily liable on the instrument. The maker of a negotiable instrument by making it engages that he will pay it according to its tenor, and admits the existence of the payee and his then capacity to indorse (Sec. 60, Uniform Negotiable Instruments Law; Sec. 110, New York Negotiable Instruments Law). The maker of a check or draft is known as the drawer (q.v.).

MAKING A BOOK

When specialists receive limited buying and selling orders the prices therein are entered in a book, or on a sheet, under the name of the security affected, and arranged in order of price points at 1/8th (or other fractional) point apart, from high to low. One side is provided for purchases, the other for sales. By reference to this book a broker can tell at a glance the amount of each stock he must buy at each 1/8th (or other fraction) point down, as the price declines and how much he must sell at each 1/8th point up, as the market advances.

(See Book, Specialist.)

MAKING A MARKET

A term used in several connections. It is essential in the flotation and distribution of securities that a good market be provided. A large percentage of many securities is held by speculators who borrow a part of their capital, and who would be unwilling to purchase securities unless a market existed for them, so that they can be sold when favorable opportunities arise. There are two essentials in making a market for a security: (1) favorable publicity and (2) listing on a recognized stock exchange. Before a new issue is actually offered, the syndicate manager will have supplied members of the selling group, brokers and dealers generally and the financial press with considerable preliminary information concerning the condition of the issuing corporation and the issue itself, including distribution of the "red herring" prospectus. Listing on the stock exchange obviously increases the marketability of a security. (For the tests of eligibility for listing see Listed Securities.)

The term is also employed in connection with unlisted securities. Whenever a dealer, investment banker, or syndicate manager names a price at which he will buy, and another price at which he will sell, a certain security, a market is thereby made. In syndicate operation, the syndicate manager establishes a trading account for the duration of the syndicate through which any offerings of the just issued security which are thrown back on the market below public offering price are bought in, in order to protect the remaining unsold portion of the issue. (See Syndicate, Underwriting.)

MAKING A PRICE

When a seller quotes a price which he is willing to accept at the request of the buyer, or vice versa. This term is also used of a practice on the London Stock Exchange (q. v.).

MAKING-UP PRICE

The delivery price of a security. On the London Stock Exchange, it is the price at which a security is carried over from one settlement day to another.

MANAGED CURRENCY

Currency not anchored to gold, which the advocates of managed currency denounce as rigid orthodoxy, but which is managed, controlled or manipulated to secure a predetermined level of prices, i. e., generally stable prices. The managed currency proponents base their position on the quantity of money theory. They propose to manipulate the quantity of money and bank credit by various devices, chief among them being variations in the discount rates in the central banks of issue, open market operations on the part of these banks, and coordinated policy on the part of the public treasury in borrowing and repaying. With these methods it is proposed not merely to regulate prices, but also to regulate the whole business and industrial situation, eliminating the ups and downs of business which are regarded as due to variations in the average of prices.

The two most widely discussed schemes of this sort are the so-called "commodity-dollar" plan of Professor Irving Fisher and proposals for central bank control advocated in somewhat varying forms by Professor Gustav Cassel of Sweden and the British economist, John Maynard Keynes.

Professor Fisher's thesis is that the gold dollar should cease to be a constant weight of gold with fluctuating purchasing power, and should become a fluctuating weight of gold with a more or less constant purchasing power. There would be no actual coinage of gold under the Fisher scheme. The government's gold supply would be kept in gold bars and the actual circulation, then as now, would consist of representative money, i. e., banknotes and token coins. All of the currency would be exchangeable for gold on demand, but the amount of gold for which it would exchange would vary with the price level. If prices, as measured by some generally accepted index, fell 1 per cent. during the month the weight of gold purchasable with the dollar would be decreased 1 per cent., and vice versa. Under the Fisher plan, since the number of grains of gold in the dollar would fluctuate with the price level, there could, of course, be no fixed gold parity. Therefore instead of having one fluctuating element in the exchange—that of demand and supply—there would be two. And the new one would be much the more serious since it would not be limited, as is that of demand and supply, by the upper and lower "gold points."

The Cassel-Keynes plan is that the central bank should keep prices on an even keel by manipulating the supply of credit and currency, with Keynes favoring arbitrary control as well over the price of gold.

See also under article on Inflation.

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MANIFEST

A formal schedule or statement of a cargo taken on board a ship prepared by the manifest clerks under the direction of its master. It is in reality a summary of

all the bills of lading covering the ship's cargo, and it at once an operating, clearance, entry and accounting document. Its preparation is required, and its form prescribed by the United States and by Governments of the various foreign countries. A manifest is sworn to before the customs' officials of the port of debarkation. One copy is forwarded to the customs' officials at the port of entry, another to the ship owners, and a third retained as a part of the records of the ship.

MANIPULATION

A general term indicating in the broadest sense the artificial advancing and depressing of prices by those who have ability to do so. The course of prices on an organized market could be artificially influenced in greater or less degree by numerous devices, including pools (inside and outside), rings, cliques, wash sales, matched orders, bucketing, corners, unlisting legitimate securities, and by disseminating "tips", false reports, or "alleged information". Manipulative practices on national securities exchanges are prohibited by Secs. 9 and 10 of the Securities Exchange Act of 1934, and such practices on commodity exchanges are prohibited by Secs. 4b and 4c of the Commodity Exchange Act. In addition to such regulation by the Securities and Exchange Commission and the Commodity Exchange Authority, securities exchanges and commodity markets by rules of their own prohibit such practices and engage in self-policing. Despite such regulation and self-policing, spreading of tips and rumors is still quite impossible to prevent, so that the best protection against such still remains to inquire into the sources of information so as to distinguish between fact and rumor. The ultimate purpose of manipulation is to profit at the expense of the lambs (inexperienced speculators). Excessive or improvident speculation, whether based on unfounded rumor or established facts, is not manipulation.

(See Bucket Shop, Clique, Corner, Matched Orders, Pool, Ring, Tip, Wash Sale.)

MANUALS

Periodic publications containing financial statistics and other descriptive information, and used as reference works among brokerage houses, financial institutions, and investors. The term particularly refers to the statistical manuals published by the three leading statistical services--Standard & Poor's, Moody's, and Fitch. Summary of these services follows:

Standard & Poor's: 1. Standard Corporation Records, which contain factual descriptions and summarized financial statements in six loose-leaf alphabetical volumes on American and Canadian corporations, complete on some 6,000 major corporations, and in lesser detail on some 5,000 other corporations. Other components of the service include: a. Daily News Section, containing daily news items; b. Dividend Section, issued daily, containing current dividend and related information.

2. Trade and Securities, an interpretative economic and investment service. Components: a. Weekly Outlook for the Security Markets; b. Surveys covering all key industries and the leading securities in each industry; c. Earnings and Ratings Stock Guide; d. Statistical Section.

3. Railroad Securities Service, consisting of: a. Weekly Survey; b. Traffic Section; C. Earnings Section; d. Position of Securities; e. Revenues and Expenses; f. Railroad Earnings Forecasters; g. Rail Equipment Bulletin; h. Freight Commodity Statistics; i. Guaranteed Stock Bulletin; j. Railway Economic Review; and k. Reorganization Plans.

4. Facts and Forecasts.
5. Investors Guide Stock Reports.
6. Unlisted Stock Reports.
7. Investors Guide Bond Reports.
8. Unlisted Bond Reports.
9. Bond Investments.
10. Investment Fact Reports.
11. Corporation and Municipal Bond Guide.
12. Portfolio Audits.
13. Planned Investments.
14. Planned Investments for Banks.
15. Trust Review System.
16. Special Investigations Department.
17. Investment Advisory Service.
18. Standard Investor.
19. Poor's Institutional Holdings of Securities.
20. Poor's Purchases and Sales of Securities.
21. Poor's Register of Directors and Executives.
22. Status of Bonds.
23. Standard & Poor's Bond Guide.

Moody's: Moody's Manuel, supplemented by semi-weekly news supplements: (1) Governments and Municipals; (2) Banks and Finance; (3) Industrials; (4) Public Utilities; and (5) Railroads. Other Moody's services:

1. Stock Survey.
2. Bond Survey.
3. Moody's Advisory Reports.
4. Moody's Dividend Record.
5. Bond Record.
6. Moody's Personal Management Service.
7. Moody's Supervisory Service for Banks and Trust Companies.
8. Moody's Estate and Trust Service.

Fitch: 1. Fitch Bond Book, an annual, containing statistical descriptions and ratings on railroad, public utility, industrial and real estate bonds of United States and Canada; also dollar bonds of foreign governments, and U. S. Government issues.

2. Fitch Statistical Service, a daily stock, bond and trade service, consisting of: a. Fitch Corporation Manuals, containing loose-leaf corporation descriptions; b. Daily Companies, Earnings and Descriptions Section; c. Daily Dividend Section; d. Daily Redemption Section; e. Fitch Trade, Industry and Security Service.

3. Fitch Loose-Leaf Stock and Bond Corporation Manuals.

4. Fitch Individual Bulletin Services: a. Individual Stock Bulletins; b. Individual Bond Bulletins; c. Unlisted Securities Service.

5. Fitch Weekly Bond Record Service: a. Weekly Bond Record, Quotation Section; b. Weekly Bond Review.

6. Fitch Stock Record.

7. Fitch Supervisory Service.

Among other statistical services popular with brokerage houses, institutions and investors are:

Alfred M. Best Co.: Best's Digest of Insurance Stocks; Best's Insurance Reports (Life, Fire and Marine, and Casualty and Surety).

The Bond Buyer: Directory of Municipal Bond Dealers of the United States; Municipal Bond Sales Book.

Brooks Earnings Indicator: Loose-leaf service on Railroads and on Air Transport Companies.

Commerce Clearing House, Inc.: Loose-leaf tax and

business law reporting service on Banking, Business, Carriers-Utilities, Insurance, Labor, Social Security, Legislation, Securities, and Taxation.

Commodity Research Bureau, Inc.: Commodity Yearbook.

Copeland, H. H., & Son: Freight Traffic Density, by Divisions and Directions, with Traffic Interchanged and Condensed Profiles, supplementary volumes.

Exporter's Encyclopedia.

Fairchild Publications: Fairchild's Financial Manual; Industrial Textile Directory.

Financial Information Co.: Daily Called Bond Service; Financial Daily Card Service; Financial Stock Guide.

Robert D. Fisher: Robert D.. Fisher Mining Manual; Robert D. Fisher Manual of Valuable Securities, Robert D. Fisher Manual of Valuable and Worthless Securities.

Monthly Stock Digest.

National Quotation Bureau: National Daily Quotation Service; National Corporation Bond Summary; National Stock Summary; National Municipal Bond Summary.

R. L. Polk Co.: Polk Bankers' Encyclopedia.

Prentice-Hall, Inc.: Loose-leaf services on Taxes, Industry and Commerce, Bank and Trust, Securities, What's Happening in Taxation and Government Regulation, Accountants' Weekly News Letter; Labor Letter.

Rand McNally & Co.: Rand McNally Bankers Directory.

Herbert D. Seibert & Co.: Security Dealers of North America.

The Spectator: Insurance Yearbook, consisting of volumes on Life Insurance, Fire Yearbook, Casualty Yearbook, Premiums and Losses by States of Casualty, Surety and Miscellaneous Lines; Handy Chart; Life Index; Fire Index.

Walker's Manuals: Walker's Manual of Pacific Coast Securities; Cumulative Summary of Pacific Coast Securities; Directory of Directors (of California).

(See Business Forecasting Services, Financial Magazines, Financial Newspapers, Mercantile Agencies, Moody's Investors Service, Standard & Poor's.)

MARGIN

Legally, "a payment on account of a purchase," conferring ownership with its attendant risks and privileges upon the buyer. It is loosely but incorrectly referred to by financial writers as secuity, equity, deposit, "the sum which may be lost" (Hammond), and "provision against loss" (Century Dictionary). It is the difference between the amount advanced by a banker or broker on securities held for speculative purposes and the amount at which such securities would sell in the market. Thus, if a loan for $100,000 is collateraled by securities the market price of which is $120,000, the margin is $20,000 or 20 per cent. The margin required by bankers and brokers varies according to the nature of the security pledged, and according to its marketability, activity, and range of fluctuation. The margin on a loan must always be protected, i. e., if the market value of securities deposited as collateral declines, additional margin is required. Obviously the excess value of collateral over the loan is for the protection of the lender and represents a "margin of safety" or "buffer" to safeguard the loan. In case of a sudden decline in the market, unless the shrinkage in value of the collateral should be exceptionally severe and rapid, it would still be sufficient to cover the amount of the loan. Regulations T and U of the Board of Governors of the Federal Reserve System limit the amount of credit that may be extended on: listed securities (including short sales) by brokers and dealers to their customers (Regulation T); and loans on stocks, by banks (Regulation U). These regulations prescribe the maximum loan value, which is a specified percentage of market value at time of extension of the credit or loan. "Margin requirements" as used by the Board of Governors, therefore, refer to the difference between the market value (100%) and the maximum loan value.

MARGIN ACCOUNT

An account of a speculator with a broker for the trading of securities on a margin, as distinguished from purchasing securities outright. (See Margin Buying.)

MARGIN BUYING

In margin buying, the speculator furnishes only a fractional part of the money necessary to purchase the stock, the broker furnishing the balance and charging interest on that amount until the speculator either resells the stock or pays off the loan and "takes up" the stock. The broker in turn obtains the funds for carrying margin accounts from banks by re-hypothecating the securities (with the customers' permission) purchased for his customers.

With passage of the Securities Exchange Act of 1934 (q.v.) on June 6, 1934, margin requirements on national securities exchanges became subject to regulation by the Board of Governors of the Federal Reserve System. Regulation T of the Board of Governors, pursuant to Sections 7 and 8 (a) of the Act, became effective October 1, 1934, and applies to extension and maintenance of credit by brokers, dealers and members of national securities exchanges. On November 1, 1937, margin requirements were extended to short sales of securities.

On May 1, 1936, Regulation U of the Board of Governors, pursuant to Section 7 of the Securities Exchange Act of 1934, became effective, applying to loans by banks for the purpose of purchasing or carrying stocks registered on a national securities exchange.

Both Regulation T and Regulation U limit the amount of credit that may be extended on a security by prescribing the maximum loan value, which is a specified percentage of the market value at the time of the extension of credit. Thus, "margin requirements", as shown in the following table from the Federal Reserve Bulletin, are the difference between the market value (100%) and the maximum loan value:

Margin Requirements

(Per Cent of Market Value)

Prescribed in accordance with Securities Exchange Act of 1934	July 5, 1945-Jan.20, 1946	Jan.21, 1946-Jan.31, 1947	Effective Feb. 1, 1947
Regulation T:			
For extension of credit by brokers and dealers on listed securities	75%	100%	75%
For short sales	75	100	75
Regulation U:			
For loans by banks on stocks	75	100	75

With such high margin requirements, the leverage permitted on margin trading is low. The purpose of buying on margin is to increase the possibility of gain with available capital. The advantage of buying on margin can be illustrated by the following example. Suppose a speculator with a capital of $10,000 desires to purchase as much as possible of a certain stock, selling at $100 per share. If he bought the stock for cash and delivery, he would be able to purchase only 100 shares. On a 10% margin, however, such as was formerly customary, he would be able to buy 1,000 shares, the broker putting up $9,000 and the speculator $1,000 per 100 shares. In this way, the speculator could purchase ten times as much stock as he could by purchasing it outright. If the stock enhances in value, say one point, a profit of $1,000 is made, whereas, in an outright purchase, the profit would be only $100. This advantage of leveraged possibility of gain, however, is offset by the disadvantage of equal possibility of loss, and therein lies the danger of low margin trading. If the stock declines one point, the speculator loses $1,000. The broker will "carry" the stock provided there is ample margin to protect the account, and will rarely carry stock until the margin is exhausted, particularly in an active and rapidly declining market. Ordinarily, when an account falls below the margin requirement, a margin call is sent out, and if there is not an immediate response, sufficient stock is sold out from the account, at the broker's discretion, to place the account in a properly margined position. Many brokers do not permit trading against Stop Orders (q.v.), and require that there shall be sufficient margin in the account regardless of such stop loss orders entered by the customer. In a declining market, therefore, a customer who would reduce to a minimum his chances of being sold out should strengthen his credit balance whether or not a margin call has been received.

Under Regulation T, a "restricted" account is an account in which, at the beginning of business on any given day, the adjusted debit balance exceeds the maximum loan value at such time of the securities in the account. An "unrestricted account" is an account in which at any given time the adjusted debit balance equals or is less than the maximum loan value at such time of the securities in the account. A lending broker or dealer shall not permit any customer to make in an unrestricted account any transaction or combination of transactions which would cause such account to become a restricted account, unless he demands additional margin in an amount sufficient to make such account an unrestricted account. Similarly, a lending broker or dealer shall not permit a customer to make in a restricted account any transaction which, in combination with any other transactions made on the same day and together with demands for additional margin in connection therewith, results in any increase of the excess of the adjusted debit balance of the account over the maximum loan value of the securities in the account, or results in any net withdrawal of cash or securities. A lending broker or dealer, however, may permit a customer to make any transaction or combination of transactions which causes the account to become an unrestricted account.

In speculative commodity futures trading, the situation is essentially different because of the character of futures trading. All such trading is done on margin unless and until delivery of the cash commodity should occur. Original margins, usually averaging about 15% of the original purchase or sale, are required by futures commission houses, and additional margin is called for whenever price declines reduce margin, usually to 75% of the original requirement. Should in his judgment, the speculator accept delivery of the actual commodity, much more substantial margin is required. The commodity exchanges generally prescribe minimum margins, and futures commission houses are free to require higher margins than the minimum. In commodity exchange regulation, the Commodity Exchange Act (q.v.) aimed at restrictions on daily trading limits, as well as regulation of the maximum long or short positions that may be held by any speculative account at any time in any one commodity, and the amount of speculative trading that may be done by any person on any one day. The Act requires segregation of funds belonging to customers, including margins deposited and profits on past transactions, on the books of the futures commission houses.

In times of declining markets, causing heavy losses to speculators unable to protect their margins, the demand had often been raised formerly to prohibit margin trading by requiring outright buying. Low margins have also been attacked in the past as encouraging speculation and market inflation. On the other hand, margin trading has been recognized as fundamentally as sound as any kind of borrowing where collateral is pledged as protection for a loan. The danger of margin buying lies in weak or thin margins especially when furnished by inexperienced speculators. (See Exhaust Price, Margin, Margin Call, Stop-Loss Order, Short Sale, Wiped Out.)

MARGIN CALL

A notice sent by a broker to a customer, or by a bank to a borrowing broker, requiring additional security or a partial payment of a loan in order to offset or make good a loss in the value of the collateral, due to a decline in the market price of securities pledged. The following is an example of a typical margin notice:

> "As the present market value of the securities pledged to us as collateral against your indebtedness is not sufficient to give the customary margin, please send us at once additional satisfactory securities to make good the margin, and oblige."

If additional margin is not immediately delivered, the broker or the bank has the right, in accordance with the loan and margin agreement, to sell the securities to satisfy the loan and any interest due, and to return any remaining balance to the borrower.

MARGIN NOTICE

See Margin Call.

MARGIN OF SAFETY

An investment term used to express the extent or degree by which the principal of a loan or issue of securities is protected by property equities and earning power. The first requisite of a sound investment is safety of principal, and the second regularity (or prospect of maintenance) of the income. Strictly speaking, not even the best investment is absolutely safe either as to principal or as to income, and any sum invested must be regarded as carrying some risk. There is a wide range of risks in the multifarious investment mediums available, and the degree of safety, or inversely the degree of risk, is measured by the margin of safety, also sometimes called the factor of safety.

Specifically, margin of safety refers to separate factors. First, the phrase may apply to the excess value (in dollar amount or in percentage) of the specific lien security, specific pledge of assets or collateral, or general (but unpledged) assets supporting a loan or security issue. For example, in conservative mortgage finance the amount of the mortgage loan is rarely more than 66 2/3 per cent. of the appraised value of the mortgaged property. Thus a mortgage loan of $20,000 on a property appraised at $30,000 would have a margin of safety of $10,000 or 50 per cent. The protection afforded this mortgage loan may be viewed by the amount by which the value of the property could shrink and still leave a sum sufficient to pay off the mortgage. The degree of protection from this viewpoint, which might more logically be called the margin of risk, would also be $10,000, but 33 1/3 per cent. instead of 50 per cent.

In the case of brokers' call loans on stock exchange collateral, banks require a specific pledge of stocks (or stocks and bonds mixed) which at market value are equal to from 120 to 130 per cent. of the amount of the loan. The 20 to 30 per cent. excess value of the collateral over the amount of the loan is called "margin," and must be continually kept good. If the loan is for $100,000, and the market value of the securities is $125,000, the margin of safety is $25,000, or 25 per cent. The margin of risk, which is the amount by which the collateral security could decline in value and still leave a balance sufficient to pay off the loan would be $25,000, but 20 per cent. instead of 25 per cent.

The margin of safety for the principal of a mortgage bond issue is the excess of value of mortgaged property, or value of the remaining equity if subject to prior lien issues, over the par value of the amount outstanding. In practice, it is difficult, of course, to determine the market value of properties that are mortgaged for bond issues—especially railroad and public utility properties. However, engineering reports are of value in this connection, while in railroad mortgage bond issues there are certain well established ratios of reasonable bonded indebtedness per mile of road. A bond issue may have excellent protection for the principal amount even though no lien or collateral security is offered. If the general unincumbered net assets of a company, conservatively valued, are twice the amount of debenture bonds outstanding, and there are no prior bond issues, then the margin of safety for the principal of such a debt would be 100 per cent.

The term "margin of safety" as a measure of the degree of protection afforded the principal sum invested in stocks seems never to have been used, since the value of stocks is usually thought to be dependent wholly on earnings available for such stocks. In theory, however, the principle could as well be extended to stocks as to bonds or any other form of debt. For example, if a corporation which has no funded debt or debt other than current liabilities, has $250,000, in net tangible assets against $100,000 of preferred stock and $100,000 of common stock, the theoretical margin of safety for the par amount of preferred stock would be the excess of net tangible assets over the amount of preferred stock outstanding, e. g., $150,000, or 150 per cent. Similarly, the margin of safety for the par amount of common stock outstanding would be the excess of the net tangible assets over the combined preferred and common stocks outstanding, e. g., $50,000, or 50 per cent. If a corporation's books represent the true state of affairs, the margin of safety for par amount of the common stock would be the amount of the total corporate surplus. If the common stock were purchased for 50 per cent. of par the margin of safety in equity value would be $100 per share, or 200 per cent.

Secondly, and probably of considerably more importance, is the use of the term to denote the excess of earnings available for the payment of interest charges on a debt (whether short-term or long-term), of earnings available for the payment of dividends over dividend requirements (or current dividend rates). In bond investments, much importance is attached to the margin of safety as a key to investment values and in particular to the margin of safety as determined over a period of years. The determination of the margin of safety (earnings available for a bond issue over interest requirements) is normally the chief factor used by the various bond rating services in fixing bond ratings.

Wherever a corporation has only one bond issue, e. g., $1,000,000 bearing 5 per cent., and has had an income available for interest charges on this issue for the past five years of $150,000 a year, the average margin of safety is $100,000 a year, or 200 per cent. In usual parlance, however, it is said to be earning its bond interest charges three times over. The earnings protection afford by this corporation for its bond interest requirements, like that of the property protection afforded the principal amount of a debt as mentioned above, may be viewed as the extent by which the sum available for bond interest charges (usually called gross income or total income) could decline and still cover bond interest requirements. In this instance, the sum would be $100,000 annually, or 66 2/3 per cent. As stated previously, a more suitable designation for this percentage would be margin of risk.

It is customary in investment circles to regard the margin of safety for a corporation's fixed charges, or for its preferred dividend and common dividend requirements as the number of times such charges or dividend requirements are earned. Thus, a corporation having annual fixed charges of $100,000, and earning $400,000 for such charges, is said to earn its fixed charges four times over. The margin of safety, or better, margin of risk, would be better stated as 75 per cent, i. e., that the sum available for such charges could decline by as much as 75 per cent. and still leave enough to cover such charges. Likewise, a corporation having earnings of $300,000 available for its preferred stock on which dividend requirements are $100,000 is said to be earning such requirements three times. The margin of risk would be computed on the amount by which the sum available for interest charges could decline and still pay all prior charges plus the preferred dividends, i. e., 50 per cent. If the present common dividend is $100,000 annually (referring to the above example), the margin of safety (or marginof risk) would be computed on the amount by which the sum available for interest charges could decline and cover not only interest charges and the preferred dividend but the common dividend as well, i. e., 25 per cent.

Wherever a corporation's earnings for interest charges are less than the interest charges a minus margin of safety arises. For example, if earnings available for interest are $150,000, and interest charges are $200,000, 75 per cent. of the charges are being earned, making a margin of safety of minus 33 1/3 per cent., meaning that the sum available for interest charges

must increase 33 1/3 per cent. in order to cover such charges. (See Investment Securities.)

MARGIN REQUIREMENTS

See Margin Buying.

MARGINAL ROAD

A railroad whose earnings available for charges just about cover fixed charges, thus rendering it vulnerable to any decline in earning power. Bonds of marginal roads are in the speculative class, and normally sell at large discounts. (See Railroad Bonds.)

MARIA THERESA DOLLAR

Also called the Levant dollar, because of its circulation in the Near East for trade purposes. Originally, this silver dollar was coined in Austria. It was formerly the monetary unit of Abyssinia. International currency unit of Ethiopia is the dollar, consisting of 100 cents. (See Foreign Moneys--Ethiopia.)

MARINE INSURANCE

Marine insurance policies specify the specific coverage and maximum liability to the insured (who may be the owner of the vessel or of the cargo) by the underwriter in consideration of payment of premiums, for a specific voyage or other term, and against specified risks, usually covering perils of the seas, fire, assailing thieves, criminal barratry of the master and mariners, and all other like perils and losses. (See Average, Marine Insurance Certificate.)

MARINE INSURANCE CERTIFICATES

After the ocean bill of lading, the marine insurance certificate is the most important shipping document which accompanies a foreign bill of exchange, without which the shipper and the bank financing the shipment would take all the risks incident to marine transportation. Marine insurance is therefore provided to cover the various marine hazards incident to overseas shipments, as protection to both the shipper and the bank which advances funds against the shipment.

While the law holds railroads (as common carriers and bailees) to strict responsibility in undertaking the transportation of goods, and makes them liable for practically all losses and damages, e. g., theft, breakage, fire, etc. (all except those caused by a public enemy, or the so-called acts of God), the Harter Act (q.v.) has relieved ocean carriers of many specified marine risks. To provide for their liability to shippers, railroads insure themselves against all risks assumed as common carriers, by blanket insurance policies. Ocean carriers being relieved of responsibility for cargoes, provide only for insurance to cover the vessel, passing on the burden of insuring the shipments constituting the cargo, to the shippers.

Each ocean shipment should be covered against general marine risks and for others to which it may be especially exposed, e. g., pilferage or breakage. The customary insurance policy covers only certain risks and it is advisable that a proper understanding of the limitations and conditions of the insurance be reached between shipper and insurance agent in order to avoid future controversy. Insurance is usually obtained from the point of origin to the ultimate destination and the insurance certificate is issued in the name of the shipper. An indorsement in blank is desirable just as in the case of a bill of lading when the documents are delivered to the accepting bank.

The amount of insurance should fully cover the cost of the goods. It is even advisable to insure for a greater amount than the invoice value, say 10 per cent., to cover the shipper's profit and such transportation charges as are already incurred. It is important that the insurance policy cover all the important risks, and in time of war, war risk. (See Average.)

MARINE INSURANCE POLICY

See Marine Insurance Certificate.

MARK

The Reichsmark, pre-World War II international currency unit of Germany, was quoted at about 2 1/2 to the American dollar. At the beginning of the occupation of Germany by the four powers (United States, Russia, England and France), the American Zone established a military exchange rate of 10 marks per dollar, which flat rate subsequently was replaced by a system of conversion factors for various commodities and goods.

MARK-DOWN

An expression used in banking practice to denote the re-appraisal of the value of securities pledged as collateral to stock exchange loans whenever there is a severe decline in the stock market. This procedure is necessary whenever securities decline, say on an average of four points or more, as a protection to the bank's loans, and out of recognition of the principle that margin requirements must be kept continually good. The procedure requires the examination of the collateral cards of each stock exchange loan, and changing the value of the securities to conform with the latest quotations. It is therefore a reinventorying of the collateral in accordance with the prevailing or most recent market quotations. When the change in the value of each security in the collateral to each loan has been noted, the total value of the securities is then ascertained. Whenever the total value of the collateral computed under the re-appraisal is insufficient to furnish the required margin the loan is under margined, and a margin notice is forwarded to the borrowing broker. (See Margin Call.)

MARK SIGNATURE

When a person is unable to write his own name, his signature to any legal instrument, e. g., check, note, mortgage, passbook, etc., is affixed by means of a cross or other distinguishing mark. The name of the signer is then written next to the mark by a witness in the following manner:

	his	
John	X	Doe
	mark	

The witness signs his own name as witness.

Savings banks which serve communities where illiterates are numerous, must provide for mark signatures, or other means of identification. Usually the mark signature is supplemented by additional data which may be used as a basis for test questions for the purpose of future identification. Such data usually consists of recording the age, date of birth, father's name, mother's name, occupation, color of eyes, color of hair, height, distinguishing marks, etc. When the passbook is pre-

sented for the purpose of withdrawing money, test questions are put to the customer based upon the foregoing data. (See Finger Print Identification.)

MARKED CHECK

In some instances depositors have arranged with their banks that each check drawn by them shall bear a certain distinguishing mark known only to the depositor and the bank. The purpose of the marked check is to prevent forgery and the bank is bound not to pay checks for such depositors which do not bear this distinctive mark.

MARKET

A means of trading intercourse. Although a market is usually thought of as a locality, it is rather the circumstances under which buyers and sellers communicate and determine the prices of the commodities traded in. "A coming together of offers and demands for economic goods, irrespective of the physical presence of the contracting parties. The market may be local, national or international; wherever definite quantities of goods are bought and sold, there is a market, and the price at which the exchange is effected is the market price" (Ely, R. T.: Outline of Economics). "The general field within which the forces determining the price of a particular commodity operate." "The place or conjunction of means through which buyers and sellers are brought together for the exchange of economic goods" (Seager, H. R.: Principles of Economics).

There are several classifications of markets. The chief classification is that based upon the kind of commodity traded in, e. g., stock market, produce market, grain market, money market, cotton market, live stock market, real estate market, wool market, lumber market, foreign exchange market, etc. Markets may be formal or organized, and informal or unorganized. When organized, they are usually called exchanges, e. g., the New York Stock Exchange. The markets for foreign exchange, real estate, lumber, etc., are unorganized. Organized markets are closed, while unorganized markets are open; that is, trading in the former is limited to members of the exchange, while in the latter, trading is open to everybody.

Markets may be classified in accordance with the breadth of the demand for various products, e. g., world, national, and local market. With the perfection of the means of communication, many commodities now enjoy a world market, e. g., international securities, sterling and dollar exchange, wheat, cotton, wool, etc. A national market is one in which a commodity is traded in only within the borders of one country. A local market is one in which commodities are exchanged only within a restricted area.

Markets are primary and secondary. A primary market is one located in the centers of consumption where large quantities are available for distribution and stored in warehouses, elevators, or railroad or shipping terminals. Chicago is a primary market for wheat and other grains. A secondary market is one near the points of production. It is the place where commodities are collected and not distributed. A small prairie town would be a secondary market.

Markets are also continuous and discontinuous. The New York Stock Exchange provides a continuous market for listed stocks and bonds. The market for unlisted stocks and bonds is discontinuous An auction is a discontinuous market. (See Auction, Chicago Board of Trade, Chicago Mercantile Exchange, Commodity Exchange, Inc., Marketability, Market Price, Market Value, New Orleans Cotton Exchange, New York Cocoa Exchange, New York Curb Exchange, New York Cotton Exchange, New York Coffee and Sugar Exchange, New York Real Estate Board, Over-the-Counter Market, and Winnipeg Grain Exchange.

MARKET AVERAGES

One of the chief barometers upon which investors and speculators rely in making market commitments. Although the prices of securities fluctuate according to the particular conditions affecting them, it is well known that in the case of stocks especially, prices rise and fall sympathetically. So true, is this phenomenon that the Street speaks of the entire market as being bearish or bullish, or of prices in general being too high or too low, basing or supporting such conclusions by reference to market averages which usually are composed of a relatively small sampling of total issues traded. This sympathy in price movements is but a corollary of the principle of interdependence of all industries, and of solidarity in the commercial and economic structure. Economic conditions that tend to cause an increased volume of business and increased earnings in one industry, tend also to better the earnings of others.

By studying the average prices of groups of stocks or bonds over a period of time, market "technicians" work out various systems and theories for short term, intermediate or major swings, or Speculative Cycle (q. v.). One of the most popular of these is the Dow Theory (q.v.). Statistical services and newspapers publish daily averages of both stocks and bonds. It is customary to furnish averages for a certain number of (1) railroad stocks; (2) industrial stocks, and (3) public utility stocks, as well as an average of all three groups combined. Market averages afford a tabloidal indication of stock market levels. If, for instance, the average of industrial stocks should be twice that of a year ago, it is probable that the careful speculator would think twice about making purchases. Indeed, if other barometers indicate that business is due for a slump, that sales are declining, and that earnings are likely to be curtailed, it could be time to sell because the market is "making a top"

Average bond prices fluctuate, not so much in accordance with business conditions, as with interest rates. This is particularly true of Government and municipal bonds, and of high grade corporation bonds where the interest charges are well below average earnings. Among the more speculative bond issues, prices are considerably influenced by business conditions, as well as by interest rates. Since high grade bond prices are chiefly influenced by changes in interest rates, they are even more apt to move sympathetically than in the case of stocks, which tend to move by groups. In preparing averages of bond prices, it is usual to furnish separate averages for at least four groups, viz., railroads, industrials, public utilities and municipals. Separate averages may also be furnished for United States Government and foreign Government bonds, as well as for all bonds Such averages are usually compiled on a yield basis rather than average price, and thus inversely charted, indicate the price trend

(See Dow-Jones Averages.)

MARKET INFLUENCES

Almost everything that happens in business has a direct or indirect influence on values. The stock and commodity markets are the places where these various impulses are registered. Significant economic forces are constantly operating in the United States and other portions of the commercial world that affect instantly, or in advance, the course of prices on the various stock and commodity exchanges.

Crop reports and prospects, both domestic and foreign, banking and money conditions, steel production, automobile sales, labor conditions, taxation, the fear of war or its termination, movement of freight, new building construction, business failures, chain store sales, imports and exports, the expectation of favorable or unfavorable legislation, national or otherwise, and Supreme Court decisions are only some of the numerous factors which depending on their timing and portent will influence movements in stock and commodity prices.

It is, therefore, important to know where and when authentic information is obtainable concerning the recognized factors which exercise an influence on the various markets. The appended tabulation of some of the generally recognized current market factors includes many indicators of current business activity of a general nature. In addition, earnings reports of specific corporations often more directly exercise important market influence, as well as dividend actions, capitalization changes, and comment by management on operations. (See Business Barometers.)

Market Influences

Item	Date of Publication
Automobile Exports	
U. S. Department of Commerce	Monthly, about mid-month
Automobile Production	
Ward's Automotive Reports	Weekly, Saturdays
U. S. Department of Commerce	Monthly, about mid-month
Automobile Retail Sales of New Passenger Cars	
U. S. Department of Commerce	Monthly, about mid-month
Bank Clearings	
Dun & Bradstreet,Inc.	Weekly, Fridays
Bank Debits	
Debits to Deposit Accounts Except Interbank Accounts, Board of Governors of Federal Reserve System	Monthly, about mid-month
Bank of England Return	Weekly, Fridays
Bank Statement, Federal Reserve System	
Condition of Federal Reserve Banks, Condition of Weekly Reporting Member Banks in Central Reserve Cities	Weekly, Fridays
Condition of Weekly Reporting Member Banks in Leading Cities	Weekly, Thursdays
Brokers' Loans	
Federal Reserve Bank Statement	Weekly, Fridays
New York Stock Exchange	Monthly, first week of month
Building Construction	
Building Contracts Awarded, F. W. Dodge Corp.	Weekly, Tuesdays
Civil Engineering Construction Awards, Engineering News-Record	Weekly, Fridays
Carloadings	
American Association of Railroads	Weekly, Fridays
Chain Store Sales	
U. S. Department of Commerce	Monthly, about mid-month
Consumer Credit	
Board of Governors of Federal Reserve System	Monthly, about mid-month
Coal Production	
Bituminous, National Coal Assn.	Weekly, Saturdays
Bituminous and Anthracite, Bureau of Mines	Weekly, Saturdays
Copper	
Production, Deliveries, Stocks, U. S. and Outside U. S., Copper Institute	Monthly, about mid-month
Cotton	
Volume of Trading, Open Interest, Commodity Exchange Authority	Daily, as of second day next preceding
Ginning Reports, Census Bureau	Monthly, August to December; also in January and March
Crop Reports	
U. S. Department of Agriculture	Monthly, about first week of month
Department Store Sales	
Board of Governors of Federal Reserve System:	
By Cities	Weekly, Tuesdays
Department Store Sales Indexes and Comparison with Previous Year	Monthly, about mid-month
Sales and Stocks	Monthly, about mid-month
Electrical Energy Output	
Edison Electric Institute	Weekly, Thursdays
Employment Statistics	Weekly, Mondays, in U. S.
Bureau of Labor Statistics	Department of Commerce. Survey of Current Business;

Item	Date of Publication
Bureau of Labor Statistics (Continued)	Monthly, about mid-month in Federal Reserve Bulletin and U. S. Department of Commerce Survey
Exports and Imports U. S. Department of Commerce	Preliminary figures about mid-month; final figures about 25th of month
Failures--Business Dun & Bradstreet, Inc.	Weekly, Mondays
Federal Reserve Bank Bulletin	Monthly, about 20th of month
Gas Sales, Manufactured and Natural Gas American Gas Association	Monthly, about end of month
Grain Statistics	
Grain Futures, Trading Volume and Open Interest, Commodity Exchange Authority	Daily, as of 2d day next preceding
Grain Purchases by Commodity Credit Corporation	Weekly, Tuesdays
Visible Grain Supply, Chicago Board of Trade	Weekly, Tuesdays
Crop Reports, Weather Reports	Weekly, regional sources
Iron and Steel Production	
Operating Rate and Production, American Iron & Steel Institute	Weekly, Mondays
Operating Rate and Production, Dow Jones & Co.	Weekly, Thursdays
Iron Age Composite Prices	Weekly, Wednesdays
Margin Accounts, Customers' Debit Balances, New York Stock Exchange	Monthly, about mid-month
Money Rates, Open Market	Daily
Federal Reserve Bank Rediscount Rates	Every fourteen days or oftener, if deemed necessary by Board of Governors
Petroleum Production and Stocks	
American Petroleum Institute	Weekly, Thursdays
Odd Lot Trading on New York Stock Exchange	Preliminary figures daily, as of 2nd next preceding day
Paper Production	
American Pulp & Paper Assn.	Weekly, Mondays
Railroad Earnings I. C. C. Reports	Monthly, about 20th of month
Short Interest on New York Stock Exchange	Monthly, shortly after mid month
Supreme Court Decisions	Mondays, when Court is in session

MARKET LEADERS

Those stocks which act as bellwethers in their respective industry groups in market action. Examples of market leaders are U. S. Steel among the Steels; General Motors among the Automobile producers; General Electric among the Electrical Equipment companies; Baltimore & Ohio, New York Central and Pennsylvania among the Rails; DuPont and Union Carbide & Carbon among Chemicals; Kennecott and Phelps Dodge among Coppers; American Telephone & Telegraph among Utilities; the Standard Oils among Oils, etc. This market position as leaders reflects the position of leadership in the respective industry by these companies, as well as the popularity of the stocks with speculators and investors alike who wish to "buy" or "sell" the market

MARKET LETTERS

Practically every brokerage house issues a daily market letter which it posts in its customers' room for the information of its clients, and transmits by telegram to its branch offices. Such a letter is a short resume of the more prominent political, business, financial, and technical market factors bearing upon the immediate price trend. Advise is sometimes given as to commitments, recommendations for purchase and sale in certain groups or specific securities, being volunteered. Although some market letters have tended to deteriorate into meaningless technical jargon and pointless hedging and straddling, and the popularity of market letter writers is ephemeral, such literature has achieved a definite place in the scheme of market influences.

In addition to the daily market letters described, many brokerage houses publish a more or less elaborate review every week or month. Such reviews contain a summary of business and financial conditions, analyses of particular stocks or bonds which the house favors, opinions of leading financial writers, statistical charts, and special features.

A resume of the leading financial and commodity markets appears in the newspapers of the larger cities as a regular department. Monthly business reviews are published by all of the twelve Federal Reserve banks, and by many of the metropolitan commercial banks.

The following is a specimen market letter:

"In summing up it is more and more apparent every day that conditions affecting stock exchange securities are strongly characteristic of the early stages of a major advance in prices. One might say that we are now in the creeping stage. Improvement has been going steadily on for three months. Stocks have been passing from weak to strong hands. The market is undoubtedly in the early accumulative stages. The distributive period will probably come next year. I would not hesitate to buy good stock in all groups of the list. There are some industrials, however, that do not appear to be out of the woods. Just when it will come it is difficult to say. Copper stocks are steadily growing in public favor. They are very cheap and have great possibilities in my opinion. There promises to be spectacular bul-

lish operations in the oil group. Steel and railroad equipment shares appear to be in a promising position.

"Some time early in the year, probably after disappointing reports of corporate earnings during this year's liquidation of commodities have been read and digested, we believe a distinct business revival will be under way. Important manufacturers tell us their plans are based on this expectation and we think they are warranted." (See Business Forecasting Services.)

MARKET OFF

An expression used to denote that the prices on a security or commodity have declined for the day.

MARKET ORDER

An order given to a broker to be executed at the best price obtainable for the particular security or commodity immediately after its receipt. If no price is stated in an order, it is always understood to be "at the market." (See Orders.)

MARKET PRICE

The price which is currently being realized for a particular security or commodity. (See Market Value.)

MARKET PRICE OF BULLION

See Mint Price of Gold.

MARKET PRICE OF GOLD

See Market Ratio, Mint Price of Gold.

MARKET RATE OF INTEREST

A term used to denote the rate of interest charged by banks for different classes of loans, different rates being quoted for call loans, time loans (with mixed, industrial and Government bond collateral), commercial paper, bankers' acceptances (eligible and ineligible), etc. (See Bank Rate, Interest Rates, Money Market, Rediscount Rate.)

MARKET RATIO

A term, also known as the commercial ratio, to denote the ratio at which equal weights of gold or silver exchange in the market, as distinguished from their coinage or mint ratio. Since the success of bimetallism depends upon the maintenance of equivalence between the market and mint ratios of gold and silver, the governments which formerly adopted the bimetallic standard attempted to establish a mint ratio equal to the current market ratio. Experience shows, however, that the market ratio of gold and silver varies according to the demand and supply of these commodities. The extent of the variation in the average market ratio from year to year shown in the following table, explains the impossibility, from a practical point of view, of keeping the two ratios uniform:

Year	Ratio
1700	14.81
1725	15.11
1750	14.55
1775	14.72
1800	15.68
1825	15.70
1850	15.70
1860	15.29
1865	15.44
1870	15.57
1875	16.64
1876	17.75
1877	17.20
1878	17.92
1879	18.39
1880	18.05
1881	18.25
1882	18.20
1883	18.64
1884	18.61
1885	19.41
1886	20.78
1887	21.10
1888	22.00
1889	22.10
1890	19.75
1891	20.92
1892	23.72
1893	26.49
1894	32.56
1895	31.60
1896	30.59
1897	34.20
1898	35.03
1899	34.36
1900	33.33
1901	34.68
1902	39.15
1903	38.10
1904	35.70
1905	33.87
1906	30.54
1907	31.24
1908	38.64
1909	39.74
1910	38.22
1911	38.33
1912	33.62
1913	34.19
1914	37.37
1915	40.48
1916	30.78
1917	24.61
1918	21.00
1919	18.44
1920	20.28
1921	32.76
1922	30.43
1923	31.69
1924	30.80
1925	29.78
1926	33.11
1927	36.47
1928	35.34
1929	38.78
1930	53.74
1931	71.25
1932	73.29
1933	59.06
1934	72.49
1935	54.19
1936	77.09
1937	77.44
1938	80.39
1939	88.84

Year	Ratio
1940	99.76
1941	99.73
1942	90.57
1943	77.67
1944	77.67
1945	67.00
1946	40.83

The above ratios, obtained from the Annual Report of the Director of the Mint, have been based since 1914 on daily New York quotations; for the period 1897-1914, on daily London quotations; and for previous years, on data from secondary sources.

(See Mint Ratio.)

MARKET SENTIMENT

The prices of securities on a stock market are affected by many factors commonly referred to as "sentimental," which exert considerable influence in the determination of prices. An unfavorable earnings report of a large corporation, for instance, tends to depress prices, even though the general outlook is favorable. A sudden reduction in the call money rate sentimentally would have a favorable influence upon prices, even though the lower rate may later prove to be only temporary. Likewise strength or weakness in the grain and cotton markets and in the foreign exchanges are likely to impart strength or weakness to the stock market, even though the connection between them is remote.

The term is used also to denote the general tone or feeling of operators toward the immediate future course of prices. Thus, market sentiment may be bullish (cheerful), bearish (gloomy), or mixed (divided) for the current day, immediate future, or for the "long pull."

(See Market Influences.)

MARKET SPOTS

See Spotty.

MARKET STABILIZATION

Although pegging, fixing and stabilization of security prices is a form of manipulation generally prohibited by the Securities and Exchange Act of 1934, Sec. 9a (6) of the Act leaves in the Securities and Exchange Commission the discretionary power to allow such pegging, fixing and stabilizing of the price of a security in accordance with such rules and regulations as the Commission may prescribe as necessary or appropriate in the public interest or for the protection of investors.

This provision was based on the practical necessity for such market stabilization during the period of distribution and public offering of a security, in order to assure the success of the offering. Accordingly, the Securities and Exchange Commission has by regulation permitted stabilizing operations to be conducted in securities being publicly offered and on which registration statements have been filled with the Commission. Under the regulation, detailed reports covering all such stabilizing operations are required to be filed with the Commission. Also, in accordance with Rule 426 of Regulation C of the Commission, in any case in which the registrant or any of the underwriters knows or has reasonable grounds to believe that the price of any securities may be stabilized to facilitate the offering of the registered securities, there shall be set forth, either on the outside front cover page or on the inside front cover page of the prospectus, a statement in substantially the following form, subject to appropriate modifications where circumstances require, such statement to be in capital letters, printed in type at least as legible as ten-point boldface leaded type, as follows:

"IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF (Identify each class of securities in which such transactions may be effected) AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH TRANSACTIONS MAY BE EFFECTED ON (Identify each exchange on which stabilizing transactions may be effected. If none, omit this sentence.) SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME."

In addition to permitting stabilization of prices of securities being publicly offered, the Securities and Exchange Commission has also by regulation permitted stabilization of prices in connection with "secondary offerings" of securities already issued and listed on national securities exchanges. This type of stabilization, however, is regulated more closely, as it is more closely related to the type of manipulation prevalent at times in "free" markets before passage of the Securities and Exchange Act. (See Securities and Exchange Act of 1934, Securities and Exchange Commission.)

MARKET SWINGS

See Business Cycle, Speculative Cycle, Swings.

MARKET VALUE

The current or prevailing price of a security or commodity as indicated by current market quotations, and therefore the price at which additional amounts presumably can be purchased or sold. At any given time, the market value of a given security is taken to be that indicated by the last sale; inactive securities, where no current quotations are available, the latest bid price. In the case of unlisted securities, the market value may be determined by the last private sale, or by competent appraisal. The market value constantly fluctuates in active issues and may change frequently during the course of a single day's trading.

MARKETABILITY

The relative ease and quickness with which a security or commodity can be sold; availability of an opportunity to sell when desired; disposability, i. e., ability to be liquidated on short notice. In purchasing securities, one of the most important features to be considered is marketability. An investor, whether private or institutional, may be suddenly confronted with a need for cash, and in an emergency the advantage of possessing marketable securities is apparent. Of all forms of investments, listed active stocks and bonds usually enjoy the greatest marketability, the degree of marketability depending upon the degree of their activity. Unlisted securities are generally less marketable, but may be sold through one broker to another broker or investor. This is called an 'over the counter' market. Marketability is also essential in imparting to a security acceptability as collateral, i. e., Hypothecary Value (q. v.).

The marketability of commodities depends upon competition, demand, supply, location, seasons, quality, policy of middleman, etc. However, the principal grain and food products have a ready market through the vari-

ous organized exchanges, particularly for the purchase and sale of future contracts. Trade channels for various commodities are standardized and markets must be studied. Some manufacturers sell directly to consumers by mail, others through jobbers, and still others through retailers, oftentimes maintaining their own retail organization. Salesmanship and advertising are modern devices for increasing the marketability of commodities.

Fixed assets, especially real estate, have low marketability and ordinarily considerable time is required in order to dispose of them. In the case of real estate, moreover, the title must be searched and other details prepared for the closing, whereas transfers in securities and commodities can be made without these preliminaries. (See Market.)

MARKETING

The principles and practices of marketing and distribution have been intensively analyzed and synthesized into an independent branch of study. Among the factors studied in a typical course are: physical distribution, such factors as market methods employed in assembling, transporting, storage, sales, distribution, financing, risk taking, etc., as well as channels of distribution, the functions and methods of jobbers, types and methods of retailers, co-operative marketing, general problems confronting manufacturers, and present-day merchandising methods; in "mental" distribution, such factors as forces in marketing, analysis of a commodity, trademarks and brands, sales methods and sales management, advertising plans and mediums, advertising copy and display, together with the process involved in correlating all these factors in the complete marketing campaign.

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MARKING DOWN RATES

An expression used in banking practice to indicate the reduction in the rate charged on outstanding call loans. It is usually the practice for brokers who have borrowed call money to ask the lending bank for a decrease in the rate when the renewal rate is reduced to a rate below that at which the loan previously stood. Some banks automatically mark down the rate on standing call loans when the renewal rate changes in favor of the borrower. (See Call Loan.)

MARKING TIME

An expression used to denote that prices on a stock or commodity exchange are without definite trend; a hesitating, stationary, unchanged, trendless condition preparatory to a move. Such a market exists when there is no change in fundamental conditions to warrant changes in prices, and operators are waiting for events capable of either favorable or unfavorable interpretation, in the meantime preferring to proceed experimentally.

MARKING UP RATES

Banks lending call money notify the borrowing brokers whenever the renewal rate on outstanding call loans is changed to a higher figure than that at which the loan was originally arranged or previously standing. (See Call Loan.)

MARKKA

The international currency unit of Finland. (See Foreign Moneys--Finland.)

MARTIN ACT

The Martin Act is the New York State "Blue Sky" Law, constituting Article 23-A (Sections 352-359-h, inclusive) of the General Business Law. It is of the "punitive" type of Blue Sky law, requiring only a summary type of registration for dealers and securities, and being most effective in the use of the subpoena and examination, and ex parte injunction.

Under the Act, the Attorney General of the State is vested with the power of subpoena and examination, if in his opinion, a securities fraud has been, is being, or is about to be perpetrated, in the sale or advertising for sale of a security. The Attorney General is also empowered to apply for ex parte injunctions restraining activities of the persons concerned, one of the few instances in which such exparte injunctions can still be obtained in New York State. At an early date, the Attorney General was successful in obtaining court interpretation that the Martin Act is not a penal act, thus avoiding the rigidity of construction that such interpretation would give to the Act. Nevertheless, under the Act, the Attorney General may prosecute every person charged with the commission of a criminal offense in violation of the laws of the State applicable to the fraudulent practices found, or the Attorney General may in his discretion transmit evidence as to any such offense to the District Attorney. Any person disobeying any order or judgment shall be deemed in contempt of court and shall be guilty of a misdemeanor, and in addition, every violation shall be subject to a civil penalty of $1,000 recoverable in an action brought by the State. Any person violating any of the operative provisions of the Act shall be guilty of misdemeanor punishable by

fine of not more than $500 or imprisonment for not more than one year, or both.

The registration provisions of the Martin Act are contained in Section 359-e, with exemptions in Section 359-f, as follows:

Section 359-e. Definitions; duties of dealer.--The word ''dealer'' or ''dealers'' as used in Sections 350-c (general requirement for publication of State notices), 359-e and 359-f hereof, shall include every person, partnership, corporation, company, trust, or association except a domestic municipal corporation who engages directly or through an agent in the business of trading in securities in such manner that as part of such business any of such securities are sold or offered for sale to the public in this state; or who deals in futures or market quotations of prices or values of any securities or accepts margins on prices or values of said securities. The business of trading in securities within the meaning of this section shall not include an isolated transaction in which a specific security is sold or offered for sale, by the owner thereof, or by his representative, for the owner's account, such sale or offer of sale not being made in the course of repeated and successive transactions of a like character by such owner, or for his account by such representative, and such owner or representative not being the issuer or underwriter of such security. A sale or offer of sale to the public shall not include an isolated transaction of the nature above mentioned; any sale or offer of sale to any person engaged in the business of acquiring securities for the purpose of resale to the public; any sale or offer of sale to a banker, to a dealer or to a corporation or to any syndicate or group formed for the specific purpose of acquiring such securities for resale to the public directly or through other syndicates or groups, or any sale or offer of sale upon the floor of any exchange to a broker in securities.

1. After this subdivision as hereby amended takes effect, no dealer shall sell or offer for sale to the public within this state, as principal, broker or agent, any securities issued or to be issued unless and until a notice, to be known as the ''state notice'', containing the name, business or post office address of such dealer and if such dealer is a corporation the state or country of incorporation thereof, and if a partnership the names of the partners, shall have been filed in the department of state. Such notice shall be in the following form:

Name(s) of dealer(s).....
Business address(es) or post office address(es) (state which) .....
If a corporation, the state or country in which incorporated .....
If a partnership, the names of the partners .....
.....

2. After this subdivision takes effect, no dealer shall sell or offer for sale to the public within this state, as principal, broker, or agent, or otherwise, any securities issued or to be issued, unless and until such dealer shall have caused to be filed in the department of law a statement, duly verified as hereinafter provided, to be known as a ''dealer's statement'' containing:

(a) The name of such dealer.

(b) The address of the principal office of such dealer, if any, wherever situated, and the address or addresses of the principal office and all branch offices of such dealer within this state, if any.

(c) If such dealer be an individual, a statement of his connections during the preceding five years with any person, partnership, corporation, company, trust or association engaged in the business of selling securities or offering securities for sale, and the names of the last three issues of securities, the whole or any part of which have been sold or offered for sale by such dealer, including sales or offers for sale made by any person, partnership, corporation, company, trust or association with which such dealer, at the time of such sale or offer, was in any way connected or associated.

(d) If such dealer be a partnership, the names, residence and business addresses of the partners, including special or limited partners, and of all other individuals participating as principals in the profits of such business, specifying as to each the nature of his relation to such business and giving with respect to each all of the information required by (c) of this subdivision two to be given by a dealer who is an individual.

(e) If such dealer be other than an individual or partnership, the name of the state or country where incorporated or organized, and the names, residence and business addresses of its principal officers, wherever located, and of its officers and branch managers in this state, specifying as to each the nature of his relation to such business, and giving with respect to each all of the information required by (c) of this subdivision two to be given by a dealer who is an individual.

(f) A statement as to whether such dealer, or, if such dealer be other than individual, whether any partner, principal, officer, director or branch manager thereof, has been convicted by a court of competent jurisdiction in any state or country of any criminal offense in connection with any transaction involving the sale or offer for sale of securities, or has been enjoined or restrained by order of any court of competent jurisdiction from selling or offering for sale securities in any state or country, or continuing any practices in connection therewith, or, having been registered or licensed as a dealer, broker or salesman of securities in any state or country, has had such registration or license cancelled by order of any such court of competent jurisdiction. If such dealer, or any such partner, principal, officer or branch manager has been so convicted, restrained or enjoined, or has had such registration or license so cancelled by order of a court of competent jurisdiction, such dealer's statement shall have incorporated therein full and complete details thereof.

3. In the event that any dealer, or any partner, principal, officer, director or branch manager shall, after such dealer shall have filed a dealer's statement as provided in subdivision two of this section, be convicted by a court of competent jurisdiction of any state or country of any criminal offense in connection with any transaction involving the sale or offer for sale of securities, or be enjoined or restrained by order of any such court of competent jurisdiction from selling or offering securities in any state or country, or continuing any practices in connection therewith, or, having been registered or licensed as a dealer, broker or salesman of securities in any state or country, having such registration or license cancelled by order of any such court of competent jurisdiction, or in the event that after any dealer shall have filed a dealer's statement under the provisions of subdivision two of this section any change shall take place in the personnel of the partners, principals, officers or branch managers, information with respect to whom is required to be set forth in a dealer's

statement under the provisions of (c) or (d) of subdivision two of this section, or shall make a change in the location of his principal office or discontinue or change the location of any branch office, such dealer shall not sell or offer for sale to the public within this state as principal, broker or agent, any securities issued or to be issued, unless and until a statement, to be known as a "supplemental dealer's statement," duly verified as hereinafter provided, shall have been filed with the department of law, setting forth in full the details thereof, and in the case of any new partner, principal, officer, director or branch manager with respect to whom information required by (c) or (d) of subdivision two of this section has not theretofore been included in a dealer's statement or supplemental dealer's statement filed by such dealer, setting forth such information with respect to such new partner, principal, officer, director or branch manager thereof.

4. Each such dealer's statement and each such dealer's supplemental statement shall be verified by the dealer, or if such dealer be a partnership, by a general partner thereof, or, if such dealer be other than an individual or partnership, by a principal officer thereof, and shall state that the facts therein stated are true to his own knowledge; provided that in the case of a dealer's statement or supplemental dealer's statement of a dealer other than an individual, the person verifying the same may state on information and belief the facts therein included with respect to any other individual, if such dealer's statement or supplemental dealer's statement shall have attached thereto an affidavit of such other individual stating that all facts contained in said dealer's statement or supplemental dealer's statement with respect to him are true.

5. Any false statement contained in any such dealer's statement or supplemental dealer's statement or in any affidavit attached thereto shall constitute a violation of this section within the meaning of section 359-g of this article.

6. The attorney-general may in his discretion adopt forms for the use of dealers for filing any statements in the department of law pursuant to the provisions of this section and furnish such forms to dealers without charge or fee therefor, and such forms shall provide only for the information required to be filed in the department of law as herein set forth. The department of law shall collect the following fees: for filing each "dealer's statement" five dollars; for filing each "supplemental dealer's statement", two dollars and fifty cents; for filing each "sworn statement," two dollars. The fees herein enumerated shall be payable at the time of filing and no filing shall be deemed effective within the meaning of this article until such fees have been paid.

7. Any person, partnership, corporation, company, trust or association representing in any manner that the state, the department of law or any officer thereof has recommended the purchase of any stocks, bonds or other securities, in advertising or offering such stocks, bonds or other securities for sale shall be guilty of a misdemeanor punishable as provided in subdivision two of section 359-g of this article.

8. After this subdivision as hereby amended takes effect no dealer shall sell or offer for sale to the public within this state as principal, broker or agent, any securities issued or to be issued which are not exempted from the provisions of this subdivision by section 359-f hereof unless and until such dealer shall cause to be filed a further state notice containing the information, other than the names of partners, required to be published by subdivision one of this section, but opposite heading "Name of dealer," if the person or persons causing such notices to be filed are acting pursuant to the provisions of subdivision nine of this section, there shall be added either the words "syndicate manager" or "syndicate managers" as the case may be; and in addition thereto and as part of each such further notice the name of the security or securities, name, post office address and state or country of incorporation or organization of the corporation, association, common law trust or similar organization issuing or to issue the security or securities to be sold or offered for sale, in the following form:

Name of security or securities .....
Name of issuer of securities .....
Post office address of issuer of securities .....
.....
The state or country in which organized .....
.....

Two or more dealers may jointly file such further notice required by this subdivision, and a dealer or exchange must file a further state notice for each issue about to be offered which has not heretofore been published by the issuer.

9. Whenever a dealer shall have become a member of a selling group, or syndicate, herein called syndicate, formed pursuant to a written agreement for the purpose of effecting the sale or distribution to the public of a particular issue of securities, and the sale or offer of sale or distribution of such securities to the public by dealers is not exempted from the provisions of subdivision eight of this section by section 359-f hereof, any member of such syndicate shall be deemed to have complied with the provisions of subdivision eight of this section without the filing of any notice required by such subdivision in connection with the sale or offer of sale of such securities if the syndicate manager or managers specified in said syndicate agreement, at least one of whom maintains an office in this state, shall have agreed with the members of said selling syndicate to cause to be filed a state notice respecting such securities in the form required by subdivision eight of this section. Such notices shall be filed at or before the time the securities described therein are sold or offered for sale to the public, and may be filed either in the name or names of the syndicate manager or managers or in the name of one of them who maintains an office in this state, to be designated in said agreement.

Whenever a syndicate manager or managers shall have agreed in writing with the members of any such selling syndicate to cause the notices to be filed pursuant to the provisions of this subdivision, the syndicate manager or managers designated in said agreement to cause such notices to be filed as hereinbefore provided, shall be deemed to be a dealer or dealers in such securities within the meaning of this article notwithstanding anything to the contrary contained in section 359-e hereof.

Whenever a dealer, or an exchange pursuant to the provisions of subdivision k of section 359-f hereof, shall have filed any notice herein required to be filed, or shall have prepared such notice in the form herein prescribed and have forwarded the same together with the fee for the filing and publication thereof enclosed, by registered mail, postage prepaid and properly ad-

dressed to the department of state at Albany, such dealer, or exchange as to the contents of such notice and the filing thereof, shall be deemed to have complied with the requirements of this section.

Whenever a dealer shall have filed any dealer's statement or supplemental dealer's statement required to be filed under the provisions of this section, or shall have prepared any such dealer's statement or supplemental dealer's statement and have forwarded the same by registered mail, postage prepaid and properly addressed, to the department of law in Albany, such dealer, as to the filing of such dealer's statement or supplemental dealer's statement, shall be deemed to have compiled with the requirements of this section. (As amended by L. 1925, Ch. 239; L. 1928, Ch. 210; L. 1929, Ch. 669; L. 1932, Ch. 397; L. 1934, Ch. 524 and Ch. 571; L. 1935, Ch. 218; L. 1941, Ch. 39, Sec. 34; L. 1945, Ch. 441.)

Section 359-f. Exemptions from certain provisions of section 359-e.--1. The provisions of subdivision eight of section 359-e shall not apply to any transactions relating to the sale or offering for sale of any of the following described securities by a dealer therein:

(a) Any security issued, or guaranteed by the United States or any territory or insular possession thereof, or by the District of Columbia, or by any state or political subdivision or agency thereof.

(b) Any security issued or guaranteed by the Dominion of Canada or by any foreign government with which the United States is at the time of the sale or offer for sale thereof maintaining diplomatic relations, or by any province or political subdivision thereof.

(c) Any security issued by a national bank or by any federal land bank or joint-stock land bank or national farm loan association under the provisions of the federal farm loan act of July 17, 1916, or by any corporation created or acting as an instrumentality of the government of the United States pursuant to authority granted by the congress of the United States.

(d) Any securities issued or guaranteed by a public service or utility corporation, including a railroad corporation, provided such corporation is subject to regulation or supervision either as to its rates and charges or as to the issue of its own securities by a public commission, board or officer of the government of the United States, or of any territory, or insular possession thereof, or of any state or municipality or other political subdivision thereof, or of the Dominion of Canada, or any province thereof; also equipment and trust certificates or equipment notes or bonds based on chattel mortgages, leases or agreements for conditional sale of cars, motive power, or other rolling stock mortgaged, leased or sold to or furnished for the use of or upon such a railroad or other public-service utility corporation, or equipment trust certificates, or equipment notes or bonds where the ownership or title of such equipment is pledged or retained in accordance with the provisions of the laws of the United States, or of any state, territory or insular possession thereof, or of the District of Columbia, or of the Dominion of Canada, or of any province thereof, to secure the payment of such equipment trust certificates, bonds or notes.

(e) Any security issued by a corporation organized exclusively for educational, benevolent, fraternal, or reformatory purposes, and not for pecuniary profit.

(f) Any capital stock issued by a state bank, trust company or saving institution incorporated under the laws of and subject to the examination, supervision and control of any state or of the United States or of any insular possession thereof.

(g) Any security which under the laws of this state is a legal investment for savings banks or trust funds, and any securities which are underwritten or sold by any corporation under the supervision of the superintendent of banks of the state of New York.

(h) Any security, other than common stock, outstanding for a period of not less than five years, upon which no default exists in the payment of principal or interest and upon which no such default has occurred for a continuous immediately preceding period of five years, or in the case of preferred stock upon which dividends specified in the certificates of such stock have been paid for a continuous immediately preceding period of five years.

(i) Negotiable promissory notes, drafts and commercial paper provided that such issue of notes, drafts and commercial paper mature in not more than twelve months from date of issue and shall be issued within three months after the date of sale.

(j) Any bond and mortgage sold or offered for sale in an undivided whole.

(k) Securities which on January 1, 1925, have been fully listed upon any exchange, located in the state of New York, which on said date was organized and in operation, and so long thereafter as the same shall remain so listed and any securities senior thereto. Securities which shall become fully listed upon any such exchange subsequent to said January 1, 1925, shall not be exempted as herein provided unless and until such exchange shall cause to be duly published pursuant hereto in the state paper as defined herein, a notice which shall contain the name of the corporation, association, common law trust or similar organization issuing the security or securities so listed, the business or post office address thereof, the state or country where incorporated or organized, the date of such listing and a brief description and the amount of the security so listed. After such publication of said notice as aforesaid, securities so listed subsequent to January 1, 1925, and any securities senior thereto, shall thereupon be exempted hereunder so long as the same shall remain so listed.

(l) Securities sold or offered for sale at any judicial executor's, administrator's, guardian's, or conservator's sale, or any sale by a receiver or trustee in insolvency or bankruptcy or at a public sale by auction held at an advertised time and place.

(m) Sales by or for the account of a pledgee or mortgagee selling or offering for sale or delivery, in the ordinary course of business, to liquidate a bona fide debt, a security pledged in good faith as security for such debt.

(n) Negotiable documents of title, foreign currency orders and calls or options therefor.

2. The attorney general may upon application, in writing grant exemptions from the provisions of section 359-e, subdivisions two, three, four, five and six to any person, partnership, corporation, company, trust or association which is a dealer as defined in section 359-e, solely by reason of the fact that it is offering or selling to its security-holders, to the public, or to others, any one or more of the securities which are specified in any one or more of the following paragraphs of this subdivision two of section 359-f:

(a) Securities of a corporation which has been in existence for a period of not less than ten years or which

is a consolidation, merger, or successor of one or more corporations which has been in existence for a period of not less than ten years, and which have not defaulted in the payment of principal or interest on any of its obligations for a continuous immediately preceding period of ten years, and in the case of preferred stock, upon which dividends specified in the certificates of such stock have been paid for a continuous immediately preceding period of six years, and in the case of common stock, upon which dividends have been paid annually for a continuous immediately preceding period of six years at the rate of not less than 3 per cent. of the book value of such common stock as shown by its balance sheet at the date of the close of the fiscal year in which such dividends were paid, as certified by an independent certified public accountant.

(b) Securities which on January 1, 1925, have been fully listed upon any exchange, located in the state of New York, which on said date was organized and in operation, and so long thereafter as the same shall remain so listed and any securities senior thereto, as well as securities which have since that date become fully listed on any such exchange and have remained so listed for a period of at least ten years immediately preceding the date of offering thereof and any securities senior thereto, and additional amounts of such securities as have been so listed for a period of at least ten years immediately preceding the date of offering thereof, and which additional securities it is planned, at the time of offering thereof, to list.

(c) All securities which are mentioned in section 359-f, subdivision one, with the exception of such securities as are specified in subdivisions h and k thereof.

(As amended by L. 1925, Ch. 239; L. 1926, Ch. 617; L. 1932, Ch. 397; L. 1941, Ch. 39; L. 1946, Ch. 980.)

(See Blue-Sky Laws, False Statement Acts.)

MASSACHUSETTS TRUST

A term sometimes applied to the business trust, so-called because of the fact that it was developed in Massachusetts as a form of business organization, corporate in character, having the power to hold and deal in real estate at a time when the Massachusetts statutes did not permit corporations to do so.

Organization of the business trust partakes of the details of a trust, being set up under a deed of trust in which organizational details are provided, and being limited like other trusts by the Rule Against Perpetuities (q. v.), which in most States limits the duration of trusts to two lives in being, plus nine months (period of gestation), plus a minority (21 years). Legal title to the property of the business trust is vested in the trustees, who issue transferable participation certificates or shares to the beneficiaries or shareholders. In order to avoid unlimited liability for the debts of the trust, the deed of trust must specify no such unlimited liability will attach to the trustees, and in addition, in order to avoid unlimited liability for shareholders or beneficiaries, the trustees must specify in all contracts that shareholders will not be so liable. Since business trusts are subject to Federal income taxes, and have few tax advantages under State laws, and since their original purpose in Massachusetts has been eliminated by statutes allowing corporations to hold and deal in real estate, they remain as a cumbersome variation of the corporate type of business organization. (See Trusts.)

MATCHED ORDERS

A form of Manipulation (q.v.) by which an operator buys a particular stock from one broker and sells it through another, thus artificially giving the appearance of activity. The purpose of matched orders is to induce buying of the stock by the public as a result of the display of activity and change in price and unloading when the price has risen sufficiently to permit a satisfactory profit. The brokers receiving the orders to buy and sell usually have no knowledge of the purpose of the transaction, and carry out their orders in good faith. This is an expensive method of manipulation and is likely to prove costly for the unsuccessful manipulator. Matched orders are prohibited by Sec. 9 of the Securities Exchange Act of 1934.

MATURITY

The terminating or due date of a note, time draft, acceptance, bill of exchange, bond, etc. The date a time instrument of indebtedness becomes due and payable, e. g., a 60-day note becomes due and payable at the expiration of that period. A check, or sight or demand instrument matures upon presentation for payment.

Time drafts or bills of exchange drawn, e. g., 30 days after sight, mature 30 days after presentation for acceptance, the maturity being fixed by computing the date 30 days thereafter. Time drafts should therefore be presented for acceptance as soon as possible, whenever it is desirable to bring the maturity at the earliest possible date. (See Days of Grace.)

As to maturity, bonds may be classified in four groups, viz.: (1) obligatory maturity without provision for prior redemption; (2) obligatory maturity with prior redeemability with or without a premium; (3) indeterminate maturity, i. e., no definite maturity indicated but redeemable after a certain date at the option of the issuer; (4) perpetual bonds issued without provision for optional or obligatory maturity, except in case of default in interest payments. Some common stocks of the classified type, such as Class "A", and preferred stocks, generally, are issued subject to redemption, in whole or in part, and usually at a premium. (See Prior Redemption.)

MATURITY INDEX

See Tickler.

MATURITY TICKLER

A record kept for the purpose of indicating the date upon which each loan, bill discounted, bond investment, or other time instrument matures. (See Tickler.)

McFADDEN ACT

See Pepper-McFadden Act.

McLEAN-PLATT ACT

An Act passed September 17, 1919, under which National banks, without restriction to the amount of their capital and surplus, were permitted to subscribe in amounts not exceeding 5 per cent. of their capital and surplus to the stock of foreign banking corporations, as a further means of providing for the capitalization of institutions engaged in financing foreign trade. This Act was superseded by the Edge Act (q. v.).

MEAT-PACKING

See Packers.

MECHANIC'S LIEN

A claim created by statute law in most states, existing in favor of persons who have performed work or furnished materials in and for the erection or repair of a building. A mechanic's lien attaches to the land as well as to the building. It is a preferred claim and secures to the holder priority of payment, i. e., payment before other secured and general claims, except taxes.

MEET

To fulfill one's financial obligations, e. g., paying off a maturing loan or taking up on the delivery date securities previously contracted for.

MEETINGS

Under the New York State statutes, corporate meetings are of six principal types, all statutory.

Directors' meetings are either regular meetings or special meetings. Under Section 27 of the General Corporation Law, the by-laws may provide for a quorum for directors' meetings, which shall be not less than one-third of the board, as well as provide for fixed dates for regular meetings of directors. If the by-laws so provide for fixed dates, the directors are not entitled to any additional notice for regular meetings. For special meetings of directors, notice is required, but such notice may be waived, either before, during or after such meeting.

Stockholders' meetings are of four types. Section 45 of the Stock Corporation Law required written notice of meeting of at least 10 days and not more than 40 days, and notice shall also state who calls the meeting.

1. The annual meeting of stockholders for the purpose of electing directors. Section 55 of the Stock Corporation Law requires that such meeting shall be held at least once a year to elect at least one-fourth of the board.

2. Special meetings of stockholders. The by-laws may provide for any length of notice.

3. Special meeting of stockholders to oust hold-over directors, under Section 22 of the General Corporation Law.

4. Extraordinary meetings of stockholders, as provided by Section 52 of the Stock Corporation Law. Where the necessary two-thirds vote of stockholders, for example to ratify a change in capitalization, is not obtainable from stockholders' response to calls for special meeting, either in person or by proxies, the corporation may make application to the Supreme Court and obtain permission to call an extraordinary meeting of stockholders. Notice of such meeting shall be sent to all stockholders, and any stockholders appearing in person or sending in their proxies shall constitute a quorum, with two-thirds vote of the total vote represented at the meeting shall be sufficient to ratify the proposal.

Securities listed and registered on a national securities exchange are subject to the proxy rules of the Securities and Exchange Commission as well as of the exchange. (See By-Laws, Proxy.)

MELON

A stock market expression to denote a stock dividend or large extra cash dividend. When any extraordinary distribution of corporate profits is declared, the directors are said to have "cut a melon." (See Stock Dividend.)

MEMBER BANK CALL REPORT

Statements of condition reported by member banks in response to calls from the Comptroller of the Currency, in the case of National banks, and from the Board of Governors of the Federal Reserve System, in the case of State member banks, are combined in the periodic Member Bank Call Report, a publication of the Board of Governors of the Federal Reserve System.

Calls by the Comptroller of the Currency and by the Board of Governors of the Federal Reserve System for statements of condition have been for identical dates since 1922. All member banks are required by law (Sec. 5211, Revised Statutes, for National banks; Sec. 9 of the Federal Reserve Act) to be subject to not less than three calls a year, although customarily four calls per year have been issued. Each National bank, in addition to submitting its official copy of its call statement to the Comptroller of the Currency, forwards a copy of the statement to its local Federal Reserve Bank. State member banks submit two copies of their call statements to their local Federal Reserve Bank, one of which is forwarded on to the Board of Governors. Tabulation of the National bank call figures is done by the Comptroller, and of the State member bank figures by the Board. The Board of Governors then combines its figures with those of the Comptroller of the Currency for publication in the Member Bank Call Report. (See Call Report.)

MEMBER BANKS

The Federal Reserve Act states that "the term, 'member bank' shall be held to mean any National bank, State bank, or bank or trust company which has become a member of one of the Federal Reserve Banks." Since all National banks are required to join the Federal Reserve System, they are, ipso facto, member banks. (See Federal Reserve System.)

MERCANTILE AGENCIES

Companies engaged in the business of supplying credit information. Mercantile agencies are of two classes, general and special. Of the general agencies, Dun & Bradstreet, Inc. are the oldest, best established, and most generally used. This company has been in existence for over 100 years (one of its antecedents having been the first general agency, established in New York City in 1841), and the entire country is served by their many branch offices. Their services are national in scope and they are prepared to issue reports on practically any business house (producers, manufacturers, jobbers, wholesalers, retailers, brokers, and traders) in the United States. Special agencies are those that limit their services to a single or related lines of trade, and operate nationally or in a local field. Practically every trade association in the country has organized its own credit information exchange bureau, and in addition, credit interchange bureaus, such as the National Association of Credit Men, exchange credit information among members, and the credit bureaus, such as those organized as the Associated Credit Bureaus of America, supply credit information and reports.

The general mercantile agencies furnish reports of two kinds, general and special. The general reports are contained in the reference or credit rating books, which are published quarterly. These books are leased (not sold) to the subscribers, and contain many names, the Dun & Bradstreet Reference Book containing over

2,000,000 names. Each name is given a capital and credit rating. The capital rating is based on the information contained in the financial statement which the agency endeavors to procure from each listed name every six months. The Credit Rating (q.v.) denotes the grade of credit to which the name is entitled in the opinion of the agency as a result of its investigation.

The special reports are usually limited to certain lines of business or to the more important names, but the general agencies do not attempt to furnish such reports on all names. Special reports are obtained under contract, the price varying with the number requisitioned per year. The information furnished in special reports is of a general nature, but oftentimes quite extensive. As a rule these reports embody the following points: history, antecedents, and past record of the concern; present personnel; nature of the business; latest statement; total assets and liabilities from previous statements; location of properties; character and capacity of management; fire record; court record; general credit standing; opinion of the trade; and business outlook. From the standpoint of a bank undertaking a credit investigation, the special reports of the agencies are valuable in (1) furnishing the history of the concern; (2) in furnishing "leads" which may serve in detecting other important information, and (3) in corroborating information obtained from other sources.

Information obtained by the mercantile agencies is collected from various sources: (1) direct investigation of the name; (2) trade creditors and banking connections; (3) public records, and (4) insurance records. These agencies maintain a corps of reporters who call on the trade, and written questionnaires are forwarded semi-annually to all business houses throughout the country to be answered and returned. Most business men recognize the value of establishing and maintaining their credit position, and consequently are willing to accede to the request of mercantile agencies for information. If this information cannot be secured directly, the facts are obtained from neighboring business houses or banks in the community.

Public records are also investigated. Usually the county clerk of each community is engaged to forward a report upon all items of interest to the central office of the agency. In large cities, agencies engage their own representatives to search these records. For instance, the records of the County Recorder's Office are searched for mortgages and other encumbrances, and various court records are searched for suits in civil or criminal cases, petitions and discharges in bankruptcy, and judgments and appeals.

The investigation of losses by fire, burglary, etc., constitutes an important part of the work of the general agencies. By special arrangement with the fire patrol of each city, local and national boards of fire underwriters, city and state fire marshals, and insurance companies, agencies are able to secure a vast amount of information concerning business insurance. Whenever a fire occurs, reports are made by the city fire patrol, local board of fire underwriters, etc., so that the agency can determine the amount of the loss, whether insured, and the extent of the fire adjustment, so that the net loss can be established.

In addition to agencies of national scope, local agencies and services will be found in practically every city of importance. In New York City alone, some 88 credit rating and reporting agencies, bureaus or services are listed.

MERCANTILE EXCHANGE

Some commodity exchanges offer interested merchants the facilities and advantages of futures trading as well as centralized spot markets in the commodities concerned. Among contract markets and regulated commodities in which futures trading is either conducted or authorized, are the following mercantile exchanges and commodities regulated thereon:

Market	Regulated Commodities
Chicago Mercantile Exchange	Butter, eggs and potatoes.
Memphis Merchants Exchange Clearing Association	Cottonseed meal and soybean meal.
New York Mercantile Exchange	Butter, eggs and potatoes.
New York Produce Exchange	Cottonseed oil, soybean oil and tallow.
St. Louis Merchants' Exchange	Wheat, corn and millfeeds.

(See Commodity Exchanges.)

MERCANTILE PAPER

Notes, acceptances, and bills of exchange made or indorsed by concerns engaged in the jobbing, wholesaling, or retailing of commodities, as distinguished from obligations arising out of the production or manufacture of commodities. The short-term obligations of a wholesale grocery would be mercantile paper, whereas those of a farmer or steel manufacturer would not. Mercantile paper is a sub-classification of Commercial Paper (q. v.).

MERCHANDISE TURNOVER

The rate at which the stock of merchandise of a concern is moved. It is also known as the "momentum of sales," or sales to merchandise ratio. The merchandise turnover is properly determined by dividing the annual cost of goods sold by the average inventory, but in practice, it is usually computed by dividing the annual net sales by the average inventory.

The merchandise turnover varies in different lines of business, each having a standard peculiar to itself. The merchandise turnover among wholesale groceries is naturally greater than in ship-building, jewelry, or furniture business. It may be from seven to twelve in the former and two in the second and third. This ratio is an important barometer of the internal condition of a single business, and taken in the aggregate, it is a barometer of general business conditions. It is an indicator of overstocking or slow merchandising, or of rapid moving of goods according to whether the ratio is high or low. No greater amount of capital should be tied up in inventories than necessary and the faster goods can be "turned," the greater the profit on the capital invested. Assuming the same margin of gross profit or "mark up," it is more profitable to move $50,000 of goods twenty times a year than $100,000 of goods ten times, because in the first instance the business can be carried on with half the capital of the second. When the merchandise turnover is relatively high, it indicates the capacity of the management to move its goods quickly and discloses a favorable condition.

In analyzing credit risks, wherever the merchandise turnover is high, insistence on a high current ratio is less important.

MERCHANTS ASSOCIATION OF NEW YORK

Now known as the Commerce and Industry Association of New York, Inc.

This service-type chamber of commerce, founded in 1897 as The Merchants Association, functions as the "Voice of New York Business." It has 10 departments, or bureaus, geared to render prompt day-to-day service and assistance to its membership, which represents a complete cross-section of New York industrial and economic life. Its announced principles.

"Whatever affects the daily life of New York--industrial, economic, civic--becomes the focal point for action by the Association.

"The Association's many services are designed to meet the needs and requirements of its members, whose subscriptions provide the revenue for its operations.

"As its membership roll grows, the Association is enabled to widen the field of its activities and enlarge the scope of its services.

"To each member is accorded an opportunity to participate in the diversified services and activities of the Association and to help achieve, for the benefit of the entire community, its basic purpose--'to foster the trade and welfare of New York.' "

The ten departmentalized units of the Association and their functions, services and activities, are:

World Trade Department.--Represents the largest and most active group of exporters and importers of the country; acts as clearing house for information on all phases of export and import procedure, consular and shipping requirements; assists members in locating suitable agents abroad, certifies origin certificates, commercial invoices and other shipping documents for all countries requiring chamber of commerce signatures; issues weekly bulletin with up-to-date regulation changes, trade inquiries, current news; provides comprehensive service regarding customs and tariff regulations.

Personnel Management Bureau.--Gives advice and guidance in personnel administration and labor problems through consultation, plant inspection and publication of current information; maintains a union contract file for reference; issues "Annual Survey of Clerical Salary Rates and Personnel Practices" and bimonthly "Current Index of Clerical Salary Rates"; undertakes special survey work on wages, etc., as need arises.

Industrial Development Bureau.--Furnishes advice, information and guidance on all industrial problems, development of new products, location of raw material sources and available manufacturing facilities, new merchandising methods and sales techniques, government regulations, licensing requirements, business trends; helps members locate work for idle machines, develop new sales outlets for nationwide distribution of New York products; assists local manufacturers' agents to secure new items to represent.

Research Bureau.--Observes, reviews and analyzes the general services of City, State and Federal Government; included are municipal, state and national budgets, tax problems, city special taxes, City Charter and State Constitutional amendments, transit, banking and currency, Building Code, city planning problems such as urban rehabilitation and control of street traffic, sanitation, public health and water supply, public utilities and education.

Property Owners Bureau.--Aggressively protects and promotes the interests of realty owners in New York City; studies and reports on legislation and regulations at all government levels and appears before governmental and other public bodies as need arises; works closely with members in drafting recommendations, insuring well-balanced program representing collective judgment of leaders in New York realty field.

Albany Bureau.--Supports and opposes bills affecting business in the State; acts as clearing house, not only for the Association, but also for other business organizations, chambers of commerce and similar civic groups throughout the State; issues weekly Legislative News-Letter explaining pertinent measures pending in both houses and containing information on governmental activity in the State Capital.

Legislative Service Bureau.--Keeps abreast of all legislation, reviewing thousands of bills introduced annually in the Congress, State Legislature and City Council; furnishes digests or complete copies of bills and laws; drafts bills to support Association policy; supplies information on public rules, regulations, orders of administrative bodies; legal and business library available to members.

Transportation Bureau.--Invites consultation on every phase of the freight transportation problem; assists in amicable adjustment of controversies between members and carriers; opposes rate adjustments harmful to members and acts in their interest on proposed transportation legislation; appears frequently before the Interstate Commerce Commission and other Government agencies, and railroad rate committees.

Social Security Bureau.--Gives advice, consultation and information to members on New York State Unemployment Insurance Act, Federal Social Security laws and regulations, unemployment insurance laws and regu lations of all 48 States; makes continuing study of laws and recommends appropriate amendments.

Public Relations Bureau.--Publicizes activities of the Association; promotes public interest in problems and needs of business and the community; publishes Weekly Bulletin; supervises the Association's radio programs; consultant for other bureaus on public relations problems, production of printed matter and plans for varied projects.

The Association publishes a Weekly Bulletin for its entire membership and a World Trade Bulletin, also issued weekly, for its import-export members. During the New York State Legislative session, a Weekly News-Letter is distributed by the Albany Bureau to members and 750 business and trade organizations throughout the State. Special bulletins on Federal legislation and regulations and current personnel management, social security and property owners' problems are issued from time to time.

The Association has its offices in the Woolworth Building, 233 Broadway, New York 7, N. Y.

MERGER

A combination of two or more corporations into a dominant corporation. In order for a merger of two ordinary business corporations to occur in New York State, two statutory tests must be met:

1. Similarity of line of business. This does not mean identical line of business, but of related lines of

business, such as "feeders" or suppliers.

2. The dominant corporation must own 100% of the stock of the subsidiary merged.

If the above requirements exist, then all that is needed for merger is preparation and filing of Certificate of Merger by the board of directors, stockholders' consent not being necessary. Effect of filing the certificate is that the dominant corporation completely absorbs the subsidiary, which then loses its corporate existence. The dominant corporation is immediately vested with title to every asset possessed by the subsidiary, and becomes completely liable for every obligation of the subsidiary as though it had itself incurred the obligation.

These technical requirements for merger are different from those for consolidation. Under New York State laws, two requirements must be met for consolidation of ordinary business corporations:

1. Similarity of line of business.

2. Stockholders of each of the consolidating corporations must vote-two-thirds of the outstanding stock for the consolidation, and any dissenters are entitled to payment of appraised value of their stock.

If the above requirements are met, the Certificate of Consolidation must be filed. Then all of the consolidating companies go out of existence, and a new corporation, combining the old, comes into being, using the name of any one of the consolidating corporations, and that corporation is automatically vested with title to all assets of the consolidating corporations and charged with liability for all obligations of the consolidating corporations.

Under the Banking Law, Public Utility Law and Insurance Law, mergers in New York State may be effected with less than 100% stock ownership, but stockholders are entitled to vote on the merger, and dissenting stockholders are entitled to appraised value of their stock.

Under Act of November 7, 1918, National banks may "consolidate", the corporate existence of each of the constituent banks being merged into and continuing in the consolidated National bank. Stockholders vote on the consolidation, and two-thirds affirmative vote is required of stockholders of each consolidating National bank. Under Act of February 25, 1927, any State or District of Columbia bank may be consolidated with a National bank. Stockholders of each bank vote on the consolidation, two-thirds affirmative vote of stockholders of each bank is required, and dissenting stockholders of either the National bank or State or District of Columbia bank consolidating may upon proper notice receive the appraised value of the stock. No such consolidation shall be in contravention of the law of the State under which the State bank is incorporated. If State branch banking laws so allow, offices of the consolidated bank may be continued as branches

Through the device of the Holding Company (q. v.), necessity for mergers or consolidations is obviated, but tax reasons and special legislation, such as the Public Utility Holding Company Act of 1935 in the public utility field, may render use of the holding company either not feasible or inhibited by prohibitions and regulations. Holding companies in the banking field are subject to regulation by the Board of Governors of the Federal Reserve System for member banks in the form of special agreements and voting permits.

(See also Branch Banking, Consolidation of Banks.)

MESSENGER

A name given to certain employees of banks and brokerage houses. The chief function of bank messengers is to collect items (checks, notes, acceptances, etc.), not drawn on clearing house banks and not collectible through the clearing house, by direct presentation. They also collect special items drawn on individuals, brokers, corporations, etc., e. g., arrival drafts and drafts with stocks and bonds attached. Collections made by messengers are frequently known as collections by hand. The larger banks maintain a large corps of messengers, usually under the supervision of the city collection or note teller's department. They are given specific instructions, are not allowed to use their own discretion, may accept only cash or certified checks in payment of items and must demand the return of all unpaid items.

Brokers' messengers are employed to effect the transfer and delivery of securities, and are frequently entrusted with large amounts of valuable papers. Protection from possible loss by the dishonesty of messengers should be provided through fidelity and theft insurance.

METAL EXCHANGE

See Commodity Exchange, Inc.

METALS

In customary grouping of securities, this term refers to the shares of non-ferrous metal producers, such as copper, gold, lead, nickel, silver, tin and zinc producers.

(See Copper, Gold, Lead Futures, Nickel, Scrap Iron, Silver, Steel Alloys, Tin, Zinc Futures.)

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METHODS OF TRADING

The various methods of trading on the New York Stock Exchange are defined by the rules, as follows:

Rule 108.--Bids and offers in securities admitted to dealings on a "when issued" basis shall be made only "when issued", i.e., for delivery when issued as determined by the Exchange.

Bids and offers in securities admitted to dealings on a "when distributed" basis shall be made only "when distributed", i.e., for delivery when distributed as determined by the Exchange.

Rule 109.--Bids and offers in stocks admitted to dealings on an "issued" basis shall be made only as follows, and may be made simultaneously as essentially different propositions, but when made without stated conditions, shall be considered to be "regular way":

(a) "Cash," i.e., for delivery on the day of the contract.

(b) "Regular way", i.e., for delivery on the third full business day following the day of the contract.

(c) "Seller's option", i.e., for delivery within the time specified in the option, which time shall be not less than four full business days nor more than 60 days following the day of the contract;

except that, beginning with the third full business day preceding the final day for subscription, bids and

offers in rights to subscribe shall be made only ''next day'', i.e., for delivery on the next full business day following the day of the contract, and shall be made only for ''cash'' on the final day for subscription.

''Regular way'' and ''seller's option'' methods of trading were modified when the New York Stock Exchange adopted the 3-day delivery plan. ''Regular way'' contracts formerly called for delivery on the second full business day following the day of the contract, and ''seller's option'' formerly had a range of not less than three days nor more than 60 days following the day of the contract.

Rule 110.--Bids and offers in securities of the U. S. Government admitted to dealings on an ''issued'' basis shall be made only as follows, and may be made simultaneously as essentially different propositions, but when made without stated conditions, shall be considered to be ''regular way'':

(a) ''Cash'', i.e., for delivery on the day of the contract.

(b) ''Regular way'', i.e., for delivery on the full business day following the day of the contract.

(c) ''Seller's option'', i.e., for delivery within the time specified in the option, which time shall be not less than two full business days nor more than 60 days following the day of the contract.

Rule 111.--Bids and offers in convertible bonds admitted to dealings on an ''issued'' basis (unless designated by the Exchange to be determined pursuant to Rule 112) shall be made only as follows, and may be made simultaneously as essentially different propositions, but when made without stated conditions, shall be considered ''regular way'':

(a) ''Cash'', i.e., for delivery on the day of the contract.

(b) ''Regular way'', i.e., for delivery on the third full business day following the day of the contract.

(c) ''Seller's option'', i.e., for delivery within the time specified in the option, which shall be not less than four full business days nor more than 60 days following the day of the contract.

Rule 112.--Bids and offers in bonds admitted to dealings on an ''issued'' basis which are not subject to the provisions of Rule 110 or Rule 111 (including such convertible bonds as are designated by the Exchange to be determined pursuant to this Rule) shall be made only as follows, and may be made simultaneously as essentially different propositions, but when made without stated conditions shall be considered to be ''regular way'':

(a) ''Cash'', i.e., for delivery on the day of the contract.

(b) ''Regular way'', i.e., for delivery on the third full business day following the day of the contract; provided, that the seller shall be permitted (unless the buyer specified ''third day'' when making his bid) to state at the time of closing the transaction on the floor that the bonds are sold for ''delayed delivery'', in which event delivery shall be due on the 7th day following the day of the contract.

(c) ''Seller's option'', i.e., for delivery within the time specified in the option, which time shall be not less than 8 days nor more than 60 days following the day of the contract.

(See Deliveries, Ex Dividend, Good Delivery, New York Stock Exchange.)

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METRIC SYSTEM

A decimal system of weights and measures, which originated in France. Basic unit of the system is the meter, which is approximately one ten-millionth of the distance on a meridian from the equator to the pole, or about 39.37 inches.

The tables on page 400 list metric denominations for measures of length, capacity, area, and mass., and their equivalents in other metric measures, and in common equivalents.

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METRIC TON

A unit of weight used in Continental countries, particularly in measuring grains. A metric ton is equal to 2,204.62 avoirdupois pounds. (See Metric System)

MEXICAN DEBT

Thanks to the 1942 Debt Plan and the 1948 Mexican Railways Debt Plan, order has been achieved out of the chaos that formerly characterized most Mexican dollar debt, many issues of which had been issued back in the days of Dictator Diaz, with inadequate records and default for many years.

External dollar debt includes $47 million in bonds under the 1942 Debt Plan, pursuant to which modified interest is regularly paid on certain Federal bonds and sinking fund service totals about $2.5 million per year; $48 million in Railway debt under the 1948 Railway Debt Plan, pursuant to which principal amounts are scaled down and options offered either to pay modified interest plus cumulative sinking fund, the Mexican Government assuming full responsibility for service, or else to use all funds entirely to retire bonds, $151 million in commitments from the Import-Export Bank, of which $67 million has been utilized and $13 million repaid to June 30, 1947; and $19.5 million in general and agrarian claims. Mexico has also received additional commitment for $175 million in credits from the Import-Export Bank, and has also applied to the International Bank for Reconstruction and Development for $209 million in loans. Also, the Government is obligated under the settlement agreement for the British-Dutch oil claims to pay off the settled $130 million over 15 years at $8.7 million per year.

Internal public debt is only about $200 million (P1 billion), a principal sum which amounts to a relatively small debt. In fact, total debt service, internal and external, in the 1948 budget is only P360 million ($72 million), or less than 16% of total budgeted revenues. However, Mexican trade balances have been unfavorable since 1944, inflation has been a problem, and as a result, gold and foreign exchange holdings have been steadily reduced since their high in 1945. Consequently, in mid-1948, the Mexican peso went off its par of 4.855 to the dollar set under agreement with the International Monetary Fund, and a new par remains to be officially announced, although open market quotations indicate the possibility of new rate of 6.33 to the dollar.

METRIC SYSTEM

MEASURES OF LENGTH

Metric Denomination	Equivalent In Meters	Equivalent in Common Use
myriameter	10,000 m	6.214 miles
kilometer	1,000 m	0.62137 mile
hectometer	100 m	328 ft., 1 inch
dekameter	10 m	393.7 inches
meter	1 m	39.3707 inches
decimeter	1/10 m	3.937 inches
centimeter	1/000 m	0.3937 inch
millimeter	1/1000 m	0.03937 inch

Measures of Capacity

Metric Denomination	Metric Equivalent In Liters	Metric Equivalent Cubic Measure	Equivalent in Common Use Dry Measure	Equivalent in Common Use Liquid Measure
kiloliter (stere)	1,000	1 m^3	1.308 cu. yds.	264.17 gals.
hectoliter	100	1/10 m^3	2.8378 bushels	26.42 gals.
dekaliter	10	10 dm^3	9.08 quarts	2.64 gals.
liter	1	1 dm^3	0.908 quart	1.0567 qts.
deciliter	1/10	1/10 dm^3	6.1022 cu. in.	0.845 gill
centiliter	1/100	10 cm^3	0.6102 cu. in.	0.33815 fl. oz.
milliliter	1/1000	1 cm^3	0.0610 cu. in.	0.27052 fl. dram

Measures of Area

Metric Denomination	Equivalent In Square Meters	Equivalent in Common Use
square kilometer	1,000,000 m^2	0.386 sq. mile
hectare	10,000 m^2	2.471 acres
are	100 m^2	119.6 sq. yards
centare	1 m^2	10.764 sq. ft.
square decimeter	1/100 m^2	15.5 sq. in.
square centimeter	1/10,000 m^2	0.155 sq. in.
square millimeter	1/1,000,000 m^2	0.00155 sq. in.

Measures of Mass (Weight)

Metric Denomination	In Grams	Equivalent In Metric Capacity of Water at Maximum Density	Equivalent In Avoirdupois Weight
millier (tonneau)	1,000,000	1 m^3	2,204.62 lbs.
quintal	100,000	1 hl	220.46 lbs.
myriagram	10,000	10 l	22.046 lbs.
kilogram	1,000	1 l	2.2046 lbs.
hectogram	100	1 dl	3.527 oz.
dekagram	10	10 cm^3	0.3527 oz.
gram	1	1 cm^3	15.432 grains
decigram	1/10	1/10 cm^3	1.5432 grains
centigram	1/100	10 mm^3	0.15432 grain
milligram	1/1000	1 mm^3	0.01543 grain

Metric Abbreviations

m--meter.
m^2--square meter.
m^3--cubic meter.
cm^3--Cubic Centimeter.
dm^3--cubic decimeter.
mm^3--cubic millimeter.
l--liter.
dl--deciliter.
hl--hectoliter

MEXICAN MONEY

The international currency unit of Mexico is the peso, consisting of 100 centavos.

See Foreign Moneys—Mexico.

MILKING

An expression used to denote the process employed by the management of some companies of exploiting their business by squeezing the last cent of profit from operations, e. g., by failing to reserve a part of earnings for expansion and improvements, not charging sufficient depreciation, flagrantly over-liberal salaries, or by other improper, although perhaps legal, accounting methods. The term was also applied to the directors of public utility holding companies, whose financial practices tend to enrich the stockholders at the expense of the operating companies and their public through malmanagement rather than mismanagement.

MILL

A monetary unit of account of United States currency, having a value of 1/10th of one cent. It is not coined, but is used in money calculations where precision is required in fractions of a cent.

MILLIEME

A bronze coin of Egypt, equal to 1/1,000th of the Egyptian pound. (See Foreign Moneys—table 2.)

MILLING

The ridged or furrowed edge forming the circumference (rim) of coins. The nickel and bronze coins of the United States are not milled. The purpose of milling is to prevent the clipping or filing of the edges and the sale of such clippings by dishonest persons, by making the filing or mutilation so obvious that the coin could not be easily passed. Coins are designed to be thickest at the edges in order to better protect the engraved figures on the obverse and reverse surfaces. (See Abrasion, Coinage.)

MILREIS

In Brazil, the former monetary unit, consisting of 1,000 reis. International currency unit of Brazil is the cruzeiro, consisting of 100 centavos.

In Portugal, the former monetary unit. International currency unit of Portugal is the escudo, consisting of 100 centavos.

(See Foreign Moneys.)

MINIMUM FREE BALANCE

In checking or non-borrowing accounts, the minimum free balance corresponds to the average balance, also known as compensating balance, maintained by a borrowing account. Cost accounting systems for checking accounts customarily allow an interest credit, based on the average rate of return earned on earning assets, on the minimum free balance in determining the service charge for activity of the account. Some banks offer checking services in a variety of forms featuring no requirement of minimum balances, operating instead on a flat charge per check, or per account up to a maximum number of items handled.

(See Average Balance, Bank Cost Accounting, Compensating Balances.)

MINING SECURITIES

The stocks and bonds of coal, copper, silver, lead, zinc and gold mining companies. In general, this class of securities is the most speculative of all, especially if the properties are undeveloped. In considering the purchase of mining securities, one should carefully distinguish between producing and undeveloped companies. Babson distinguishes between (1) producers and dividend payers; (2) producers and non-dividend payers; (3) corporations in the development stage which may or may not produce, and (4) prospects, consisting of leases or options upon property thought to contain mineral deposits.

In computing the worth of producing mining properties, the most important factors to consider are: (1) the extent of ore reserves; (2) the cost of mining the given metal in comparison with its selling price, and (3) the accounting policy with regard to Depletion (q. v.).

Nowadays it is usually implied that mining technology has advanced to a point where ore reserves can be exactly estimated. This is far from the truth, especially in the case of precious metals, where there is no way of accurately determining the length of a vein except by exploitation and exploration. In the case of coal and copper, however, more or less accurate estimates can be made.

There is a wide difference in the cost of production of a given mineral from mine to mine, and within a given mine, from ore to ore according to grade. Thus, within every producing district there will be relatively high cost and low cost producers.

When the raw material, coal or ore, has been entirely extracted from a mine in commercially practicable quantities, the property, including the machinery and equipment, is almost worthless. It is specialized machinery, and its cost to move would be nearly as much as it is worth. For this reason, a mining company must provide, in addition to earnings, an amount sufficient to liquidate the original investment. In order to retire its capital investment, a mining company must formulate a policy of depletion which will permit setting aside out of earnings periodically a sum which, when the mineral assets have become exhausted, will equal the original investment. The perfection of the depletion policy depends upon the accuracy in estimating ore reserves, and in revising estimates as development and exploration proceed. Many mining companies do not make charges for depletion and therefore do not build up depletion reserves. When this is the case, dividends upon stocks of such mining companies consist not only of a distribution from current earnings, but also a return of investment.

Bonds are rare among mining companies as a class, but various well established coal companies have issued them. Mining bonds should always be of the sinking fund variety, which provide for the periodic setting aside out of earnings sums with which to retire the bonds, particularly in proportion to extraction of the mineral asset if reserves are relatively low and rate of production high.

MINOR COINAGE PROFIT

The seigniorage profit which the Government makes in coining Minor Coins (q.v.) from the constituent metals. It is equal to the difference between the value of the coins and the commercial value of the metals used in their coinage.

For the fiscal year ended June 30, 1947, a total of 196,970,200 5¢ pieces (copper, 75%; nickel, 25%), and 1,448,185,000 1¢ pieces (1,066,780,000 consisting of copper, 95%, and zinc, 5%; and 381,405,000 consisting of copper, 95%, and zinc and tin, 5%) were coined. Issue for the 1947 year totaled 179,215,800 5¢ pieces and 867,860,000 1¢ pieces. Seigniorage on total minor coinage produced for the 1947 fiscal year was $22,113,-700, which is included among miscellaneous receipts of The Mint. In addition, the mints (Philadelphia, San Francisco and Denver) have built up a total in round amounts of $1,000,000 in the Minor Coinage Metal Fund, and had as of June 30, 1947 also, a balance of $93,020 in the Recoinage Fund, Minor.

MINOR COINS

Minor coins in the U. S. currency system are the "nickel" (5¢ piece) and the cent (1¢ piece).

For the fiscal year 1947, a total of 196,970,200 nickels (copper, 75%; nickel, 25%), and 1,448,185,000 cents (1,006,780,000 composed of 95% copper and 5% zinc, and 381,405,000 composed of 95% copper, 5% zinc and tin) were coined. Issue for the 1947 fiscal year totaled 179,215,800 nickels and 867,860,000 cents. Total stock of minor coin in the United States as of June 30, 1947 was estimated at $348,889,000.

Total minor coinage in the history of the United States, showing statutory authority for coinage, denominations, standard weight, and total coined, has been as shown in the table on page 403 (source--1947 Annual Report of Director of the Mint).

MINORITY STOCKHOLDERS

A term used to denote the interest of those owning less than 50 per cent. of the stock of a corporation. Oftentimes the majority of the stock of a corporation is held by another corporation, or by a few individuals who thereby control its policy through the voting power of the stock they own. By means of cumulative voting, minority stockholders frequently can elect one or more directors at the annual meeting, provided they hold a fair proportion of the stock. Whenever the by-laws of a corporation permit cumulative voting, an important advantage is given to the minority stockholders.

MINT

A place where metallic money is manufactured or coined. The Bureau of the Mint, also known simply as The Mint, is one of the bureaus in the organization of the Treasury Department, and is headed by the Director of the Mint. The Mint maintained seven field installations in operation during the fiscal year 1947: coinage mints at Philadelphia, San Francisco and Denver; assay offices at New York and Seattle; gold bullion depository at Fort Knox; and silver bullion depository at West Point, which operates as an adjunct of the New York Assay Office. The Office of the Director of the Mint in Washington, D. C. administers all Mint Service activities.

Production of U. S. coins during the fiscal year 1947 increased 22% over the 1946 production of 1,658,127,100 pieces, and consisted of the following coins:

U. S. Coinage
Fiscal Year Ending June 30, 1947

Denomination, Silver Coins:	Total Value	Total Pieces
Half dollars, regular	$8,746,850.00	17,493,700
Half dollars, commemorative:		
Iowa Centennial	50,028.50	100,057
Booker T.Washington	850,469.00	1,700,938
Quarter dollars	13,142,100.00	52,568,400
Dimes	29,946,700.00	299,467,000
Total Silver	$52,736,147.50	371,330,095
Minor Coins:		
5¢ pieces	$9,848,510.00	196,970,200
1¢ pieces	14,481,850.00	1,448,185,000
Total Minor	$24,330,360.00	1,645,155,200
Combined Total	$77,066,507.50	2,016,485,295

The mints during the 1947 fiscal year also manufactured 1,600 tons of metals into 334,085,727 coins for the following foreign governments: Colombia, Cuba, Dominican Republic, Ecuador, Ethiopia, Netherlands East Indies, Panama, Saudi Arabia, and Venezuela.

In recent years, output of U. S. coinage by the mints has compared as follows:

Fiscal Years Ended June 30th:	Total Value	Total Pieces
1938	$26,610,909	540,375,283
1939	15,538,378	255,566,260
1940	39,994,684	768,090,830
1941	74,987,420	1,599,349,007
1942	111,006,180	2,114,890,662
1943	153,474,480	1,472,098,762
1944	109,464,837	2,568,640,270
1945	124,754,925	2,646,134,101
1946	78,003,170	1,658,127,100
1947	77,066,508	2,016,485,295

MINT CHECK

A check drawn on the U. S. Treasurer in payment for bullion deposited at a mint. Checking credit with the U. S. Treasurer to the credit of the United States mints as of June 30, 1947 totaled $263,388, and is included among the assets of the mints.

MINT FINE BARS

Bars of gold or silver of 0.992 fineness and upward. U. S. mints and assay offices manufacture gold issue bars and silver issue bars, such production in the 1947 fiscal year totaling 113,005 gold issue bars, containing 30,833,735 fine ounces of gold; and 2,964 silver issue bars, containing 1,154,005 fine ounces of silver.

Under orders of the Secretary of the Treasury of December 28, 1933 and January 11 and 15, 1934, all gold coin domestically owned, with minor exceptions, was required to be delivered to the Treasury of the United States, and under the Gold Reserve Act of January 30, 1934, all gold coin was withdrawn from circulation and formed into bars. Gold bars or bullion are obtainable from the Treasury at $35 per ounce, plus handling charge, under Treasury permit for export in settlement of international exchange transactions. Gold bars, government-stamped, are also issuable at mints and assay offices under Treasury permit for use in industry and the arts.

New York daily market quotations for bar silver, 0.999 fine, ranged from a high of 90 1/8¢ to a low of

MINOR COINAGE

Denomination	Authorizing Act	Standard Wt.(Grams)(1)	Total Coined to December 31, 1946 Pieces	Face Amount
5¢ (nickel)	May 16, 1866)	77.16	2,946,424,532	$147,321,226.60
Ditto	Feb. 12, 1873)			
5¢ (silver)	(2)	77.16	869,923,700	43,496,185.00
3¢ (nickel)(3)	Mar. 3, 1865)	30	31,378,316	941,349.48
Ditto	Feb. 12, 1873)			
2¢ bronze (4)	Apr. 22, 1864	96	45,601,000	912,020.00
Cent (copper)	Apr. 2, 1792	264)		
Ditto	Jan. 14, 1793	208)	156,288,744	1,562,887.44
Ditto (5)	Jan. 26, 1796	186)		
Ditto (6)	Jan. 18, 1837	168)		
Cent (nickel)(7)	Feb. 21, 1857	72	200,772,000	2,007,720.00
Cent (bronze)	Apr. 22, 1864)	48	10,534,616,098	105,346,160.98
Ditto	Feb. 12, 1873)			
Cent (zinc-steel)	(8)	41.5)	1,093,838,670	10,938,386.70
Ditto	(8)	42.5)		
Cent (copper-zinc)	(9)	48	5,102,736,000	51,027,360.00
Half cent(copper)	Apr. 2, 1792	132)		
Ditto	Jan. 14, 1793	104)	7,981,822	39,909.11
Ditto (5)	Jan. 25, 1796	84)		
Ditto (6)	Jan. 18, 1837	84)		
Total Minor Coinage			20,989,560,882	$363,593,205.31

(1) Standard composition:
5¢ and 3¢ (nickel)--copper, 75%; nickel, 25%.
5¢ (silver)--copper, 56%; silver, 35%; manganese, 9%.
2¢ and 1¢ (bronze)--copper, 95%; tin and zinc, 5%.
1¢ and 1/2¢ (copper)--pure copper.
1¢ (nickel)--copper, 88%; nickel, 12%.
1¢ (zinc-steel)--steel, with obverse and reverse sides covered with a coating of not to exceed 0.001 inch zinc.
1¢ (copper-zinc)--copper, 95%; zinc, 5%.

(2) 5¢ (silver) coined under provisions of Act of March 27, 1942, as amended by Act of Dec. 28, 1945, from Oct. 1, 1942 until expiration of authority on December 31, 1945.

(3) 3¢ (nickel) discontinued by Act of Sept. 26, 1890.

(4) 2¢ (bronze) discontinued by Act of Feb. 12, 1873.

(5) Proclamation of the President in conformity with Act of March 3, 1795.

(6) Copper cent and half-cent discontinued by Act of Feb. 21, 1857.

(7) Nickel cent discontinued by Act of April 22, 1864.

(8) Zinc-steel cent coined by orders of the Secretary of the Treasury dated Dec. 23, 1942 and May 15, 1943, pursuant to Act of Dec. 18, 1942, during calendar year 1943.

(9) Copper-zinc cent coined, by order of the Secretary of the Treasury of Dec. 16, 1943, pursuant to Act of Dec. 18, 1942, from January, 1944 until expiration of authority Dec. 31, 1946.

(See Bronze Coins, Nickel, Token Money.)

59 3/4¢ per ounce during the fiscal year ended June 30, 1947.

MINT MARK

The unobtrusive mark on a coin which indicates the mint at which it was made.

MINT PAR OF BULLION

See Mint Price of Gold

MINT PAR OF EXCHANGE

The ratio of one country's standard unit to that of another country on the same metallic basis; the bullion value of the monetary unit of one country expressed in terms of that of another. For any given nation it is determined by dividing the weight of pure gold contained in its standard coin or monetary unit into the weight of pure gold contained in the standard coin or monetary unit of another, the value of the alloy being disregarded. For instance, the mint par of exchange of the pound sterling with the United States dollar is $4.03, meaning that there is 4.03 times as much pure gold by weight in the pound sterling as in the United States gold dollar. The mint par of exchange never varies unless one

country alters its coinage regulations. The mint par is distinguished from the commercial rate, which is not fixed but normally fluctuates in accordance with the supply and demand of bills of exchange and other factors. (See Commercial Parities, Long Rate.)

(For the Mint Pars of Exchange of the international currency units of the principal foreign countries, see Foreign Moneys.)

MINT PRICE OF GOLD

The coin equivalent of a given weight of gold of standard fineness (0.900 fine). In the absence of a seigniorage charge it is really not a price at all, but a fixed amount which the assay offices and mints are indirectly required by statute to pay for any given weight of gold of standard or other fineness.

From the coinage act of 1837 until August 29, 1933, the United States having officially suspended the gold standard on April 19, 1933, the law declared that the value of 23.22 grains of pure gold, or 25.8 grains of standard gold, should constitute the dollar, the monetary unit of value of the United States. Since 23.22 grains of pure gold is equal to $1.00, the assay offices or mints received and paid for pure gold at the rate of $20.67 per fine ounce. This is determined in the following manner Since there are 480 grains in one ounce and 23.22 grains equal $1.00, it will take $20.67 to buy 480 grains, i. e., 480 divided by 23.22. $18.60 is paid per standard ounce (0.900 fine), this amount being exactly 9/10th of $20.67. Slight coinage charges were made when gold offered was less fine than standard gold.

Since the Presidential decree of January 31, 1934, the standard gold content of the dollar has been reduced to 59.06 per cent. of its former gold value on a permanent basis. The present mint price of gold is $35 an ounce, so that the pure gold content of the dollar is now 13.7137 grains.

Payment for gold bullion turned in at the assay offices or mints may be received by check upon a Federal Reserve bank, or the United States Treasurer through a Government depository.

Until England relinquished the gold standard on September 21, 1931, the mint price of British standard gold bullion (11-12 fine) was £ 3 7s 10 1/2d. The Bank of England was required by law to pay £ 3 7s 9d an ounce for standard gold bullion (11/12ths fine), being 1 1/2d less than the actual mint price. However, on September 21, 1931, England went off gold when the Bank of England was relieved of the obligation imposed by statute to sell gold bullion at fixed price. After a period of suspension and amendment, the British fixed price for gold bullion was set at 172 s 3d on June 9, 1945.

MINT RATIO

The ratio at which the weight of the gold dollar and silver dollar are fixed for coinage purposes, as distinguished from the Market Ratio (q.v.). The mint ratio now existing between the gold dollar and silver dollars is 27.07 plus, which is computed by dividing the weight of the pure silver in the silver dollar (371.25 grains) by the weight of the pure gold in the gold dollar (13.7137 grains). The mint ratio differs from the market or commercial ratio which fluctuates in accordance with the varying market prices of the two metals. The impracticability of Bimetallism (q. v.) is due to the fact that it is impossible to maintain more than temporarily a coincidence between the market and mint ratios.

Where gold is the standard money and is coined without charge by statute it is worth as much as bullion as coin, and vice versa. Consequently the market price and mint price of gold would be the same unless the coins have become abraded or mutilated. Since abraded coins are reduced in weight, more of them would be required when exchanged for new full weight coins. The market price of light weight coins, therefore, is above the mint price.

Since the Gold Reserve Act of January 31, 1934, gold coinage in the United States has been at an end, and all gold was turned in to be formed into gold bars.

MINT REMEDY

See Remedy, Tolerance.

MINUTE BOOK

One of the corporate records of a corporation, which include the stock certificate book, the stock transfer book, the stock ledger, and the minute book. The minute book records in formal permanent record all the action and proceedings at meetings of directors and stockholders, and thus is a vital corporate record. In a bank, the minute book is usually kept by the cashier, in a business corporation, by the secretary. (See By-Laws, Corporate Records.)

MINUTES

The proceedings of directors' and stockholders' meetings of a corporation, formally kept in permanent record in the Minute Book (q.v.).

MISSISSIPPI BUBBLE

A name given to the final unfortunate outcome of a series of speculative financial ventures under the leadership of John Law, a Scottish financier and paper money advocate, with the aid of the French government. In May, 1716, John Law obtained a franchise to organize in Paris France's first financial institution, known as the Banque Generale. This bank was empowered to issue notes (in reality paper currency) payable at sight in the weight and value of the money mentioned at the time of issue. In 1717, the notes were decreed as acceptable in payment of taxes, the immediate effect being to reduce interest rates and to command a premium. Having obtained the confidence of the Regent, the French government gave Law control of Louisiana for purposes of trade and colonization.

Accordingly, in 1717, Law founded the Compagnie de la Louisane en d'Occident which later absorbed the Compagnie du Canada, and companies with similar powers in East India, China, and Africa. The company was commonly known as the "Mississippi Company," but after its failure as the "Mississippi Bubble." The early success of the scheme made it possible for the company to take control of the Mint and the powers of "Receivers-General," thus assuming vast importance both in home and colonial financial affairs. The Banque Generale was restyled Banque Royale in 1718, and in 1720 Law became Comptroller-General of Finance, the bank and company becoming one. After a great speculative craze, based on the overissue of paper money, the bank and its schemes collapsed in May, 1720, forcing Law to leave the country.

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MIXED COLLATERAL

See Collateral.

MOMENTUM OF SALES

See Merchandise Turnover.

MONETARY COMMISSION

See National Monetary Commission.

MONETARY STANDARD

See Monetary Unit, Standard of Value, Standard Money.

MONETARY STOCK (CIRCULATION)

The aggregate of all kinds of money issued by a Government, including that held in the Treasury, in the central banks and other banks of issue, and in circulation. The monetary stock of the United States consists of that held in the U. S. Treasury and the mints, the Federal Reserve Banks and Agents, and in circulation (outside the Treasury and the Federal Reserve Banks).

As of May 31, 1948, total United States monetary stock, outstanding and in circulation, was as shown in the table on page 406.

In accordance with the Gold Reserve Act of January 30, 1934, title to all the nation's monetary gold stocks, including some $3.5 billion held by the Federal Reserve Banks, was vested in the Treasury of the United States. Gold certificates or gold coin no longer circulate domestically, in further compliance with the Gold Reserve Act. The gold certificates held by Federal Reserve Banks and Agents represent monetization of the gold credits placed to the credit of the Federal Reserve Banks by the Treasury when these institutions turned in their monetary gold. Only the Federal Reserve Banks and Agents may hold gold certificates presently authorized. Gold certificates shown in the table as publicly outstanding are old type currency, no longer in domestic circulation, which are in circulation outside the continental limits of the United States, or still not turned in domestically.

(See Gold Certificates; Gold Reserve; Gold Reserve Act of 1934; Money Circulation.)

MONETARY UNION

See Latin Union, Scandinavian Union.

MONETARY UNIT

The coin selected by a Government to serve as the unit of account, and which by law contains a prescribed weight (and fineness) of the metal selected to serve as the standard of value. The gold dollar, although no longer coined, is the monetary unit of the United States. Since the United States possesses a decimal coinage system, the dollar is a multiple of fractional coins; and an aliquot part of coins of higher denomination. The weight of the standard unit was fixed at 23.22 grains of pure gold, or 25.8 grains of gold 0.900 fine, prior to the suspension of the gold standard on April 19, 1933. On January 31, 1934, Presidential proclamation permanently fixed, pursuant to the Gold Reserve Act of 1934, the standard weight of the dollar at 15 5/21 grams, 0.900 fine, or 13.7137 grains pure gold, being 59.06% of the former gold content. (See Gold Coins, Mint Price of Gold.)

Although many countries have similarly retained gold as the standard of value, most of them have instituted prohibition on gold coinage and internal circulation of gold coin similar to such prohibitions in the United States. For the various monetary units of other countries, see Foreign Moneys. (See Money of Account, Standard Money, Standard of Value.)

MONEY

A medium of exchange; an instrument, token, or expedient, whether metal or paper, by which payment is made for the transfer of values from one person to another. "Money is that which passes freely from hand to hand throughout a community, and is received in full payment for commodities and services without reference to the character of the person rendering it." "Those instruments of general acceptability which pass freely from hand to hand as media of exchange" (Ely, R. T.: Outlines of Economics). "Money is that valuable thing or economic good which possesses in any country or community universal acceptability as a medium of exchange or means of payment" (Johnson, J. F.: Money and Currency). "That commodity of intrinsic value acceptable in exchanges which has become by law or custom the universal tender for debt" (Conant, C. A.: The Principles of Money and Banking).

Herewith are additional definitions:

"The value of money in general is the quantity of all the money in the world in proportion to all the trade. Money, while the same quantity of it is passing up and down the kingdom in trade, is really a standing measure of the falling and rising value of other things in reference to one another, and the alteration in price is truly in them only. But if you increase or lessen the quantity of money current in traffic in any place, then the alteration of value is in the money" (John Locke).

"The value of money in any country is determined by the amount existing. That commodities would rise or fall in price in proportion to the increase or diminution of money, I assume as a fact that is uncontrovertible. The demand for money is regulated entirely by its value, and its value by its quantity" (David Ricardo).

"And again, in whatever degree, therefore, the quantity of money is increased or diminished, other things remaining the same, in that same proportion the value of the whole, and of every part, is reciprocally diminished or increased" (James Mills).

"The value of money is in the Inverse Ratio of its quantity, the supply of commodities remaining the same". (Sir J. Graham).

"The value of money—other things being the same—varies inversely as its quantity, every increase of quantity lowering the value, and every diminution raising it in a ratio exactly equivalent. That an increase of the quantity of money raises prices, and a diminution lowers them, is the most elementary proposition in the theory of currency, and without it we should have no key to any of the others" (John Stuart Mill).

Scientifically, real money is a commodity or a representative of a commodity which mankind universally readily accepts in exchange for other commodities and services. It is therefore to be distinguished from promises to pay and other forms of credit instruments, e. g., notes, checks, drafts, money orders, etc. In its popular sense, it is used to indicate any form of currency, gold or silver coin, gold or silver certificates, Government notes, or bank notes. Popularly, also, it is used as the equivalent of wealth or riches. In the bank-

United States Money
Outstanding and in Circulation
(in millions)

	Total outstanding May 31, 1948	As Security vs.gold and silver certificates	Treasury cash	For Fed. Res.Bks. and Agents	Money held by Fed.Res. and Agents	Money in Circulation (1) May 31,1948
Gold	$23,304	$22,081	$1,223(2)	.....	.....	.....
Gold certificates	22,081	.....	.....	$19,220	$2,815	$ 45
Federal Reserve notes	24,447	.....	48	.....	874	23,525
Treasury currency	4,562	2,260(3)	52	.....	268	4,242
Total	(4)	$24,342	$1,322	$19,220	$3,958	$27,812
Treasury currency:						
Standard silver dollars	493	309	29	.....	3	155
Silver bullion	1,952	1,952	.....	.....	.....	.....
Silver certificates and Treasury Notes of 1890	2,260(3)	.....	.....	.....	199	2,061
Subsidiary silver coin	949	.....	13	.....	26	910
Minor coin	359	.....	8	.....	7	344
U. S. Notes	347	.....	3	.....	29	315
Fed. Res. Bank Notes	362	.....	1	.....	4	357
National Bank Notes	101	.....	(5)	.....	1	100

(1) Outside Treasury and Federal Reserve Banks; includes any paper currency held outside the continental limits of the United States.
(2) Includes $156 million held as reserve against U. S. Notes and Treasury Notes of 1890.
(3) To avoid duplication, amount of silver dollars and bullion held as security against silver certificates and Treasury Notes of 1890 outstanding is not included in total Treasury currency outstanding.
(4) Because some of the types of money shown are held as collateral or reserves against other types, a grand total of all types has no special significance and is not shown.
(5) Less than $500,000.

General note: There are maintained in the Treasury--(a) as a reserve for U. S. Notes and Treasury Notes of 1890--$156,039,431 in gold bullion; (b) as security for Treasury Notes of 1890--an equal dollar amount in standard silver dollars (these Notes are being canceled and retired on receipt); (c) as security for outstanding silver certificates--silver in bullion and standard silver dollars of a monetary value equal to the face amount of such silver certificates; and (d) as security for gold certificates--gold bullion of a value at the legal standard equal to the face amount of such gold certificates. Gold certificates include credits with the Treasurer of the U. S. payable in gold certificates. Federal Reserve Bank Notes and National Bank Notes are in process of retirement.

Source--Federal Reserve Bulletin of the Board of Governors of the Federal Reserve System.

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ing sense, it means credit, lending power, or free capital awaiting investment. Banks are said to lend money when in reality they lend credit. In the legal sense, money is that which has been declared to be Legal Tender (q.v.). Money which is eligible to serve as bank reserves is usually defined by law. (See Lawful Money.)

The history of money is one of energetic controversy even among economists and monetary scientists. More has been written on this subject than on any other branch of economics, as shown by the lengthy bibliography concluding this title. Its history is one of evolution from barter, commodities acceptable in exchange, precious metals coined by Governments, various forms of paper money, credit, bank deposit currency, Government short-term discount bills, etc. In fact, in recent years, money has come to be regarded as synonomous with any readily marketable value that can be easily translated into purchasing power. The notion of managed currency, without a tie-up with gold, is one of comparatively recent origin, and brought to fullest development by suspensions of gold, exchange depreciation,

and currency devaluations in the period 1931-1935. (See Managed Currency.)

The various forms of money used by the principal commercial nations of the world may be classified as follows:

Paper Money

Government notes or promises to pay.
1. Secured by gold reserve, full or partial (specie reserve).
2. Secured by Government bonds (documentary reserve).
3. Unsecured (Fiat money).

Bank notes or promises to pay.
1. Secured by gold reserve.
2. Secured by Government Bonds.
3. Secured by commercial paper.
4. Secured by general assets.
5. Secured by any combination of the above.

Certificates of deposit or redemption in gold or silver (redemption of paper currency in gold has been restricted or eliminated in many countries in recent years).

Metallic Money

Gold coin (prohibited or restricted in domestic circulation of most countries in recent years).
Full legal tender silver coin.
Subsidiary silver coins with limited legal tender.
Minor coins.

Money performs five chief functions: (1) medium of exchange; (2) common denominator or standard of value; (3) standard of deferred payments; (4) storehouse of value or unit of purchasing power; and (5) as bank reserves. The qualities which money should possess to serve as a good medium of exchange are portability (high value in small bulk), durability (indestructibility), uniformity (homogeneity), divisibility, and cognizability. Gold combines these qualities better than any other metal and has come to possess unlimited legal tender power and acceptability throughout the civilized world. As a standard of value money must possess value in itself and a high degree of stability of value. Gold also answers these requirements. As a standard of deferred payments and unit of purchasing power, a money must be selected which possesses not only stability of value but durability, qualities also possessed by gold.

The real value of money depends upon its purchasing power, i. e., the quantity of other commodities or services that it will buy. Expressed in other terms, the value of money depends upon the general level of prices, and varies in inverse ratio. When prices rise the value of money falls and vice versa. (See Coinage, Currency, Gold Production, Gold Reserve, Gold Standard, Fiat Money, Foreign Moneys, Legal Tender, Mint, Monetary Stock, Monetary Union, Monetary Unit, Money Circulation, Paper Money, Quantity Theory of Money, Redemption of Money, Representative Money, Token Money, United States Money.)

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MONEY BROKER

A person who acts as intermediary between borrowers and lenders of money. The term was applied chiefly to brokers on the New York Stock Exchange who served the function of bringing the lending banks and borrowing brokers together. Since there is now a centralized "Money Desk" at the New York Stock Exchange, the function of such money brokers is obviated.

MONEY CIRCULATION

Currency (coin and paper money) in circulation, outstanding outside of the Treasury and the Federal Reserve Banks. Since most business in the United States, over 90% judging from the ratio of bank debits to money in circulation, is transacted by means of the bank check, money circulation is of secondary importance as a medium of exchange compared with debits to deposit accounts. For the year 1947, reported debits to total deposit accounts, except interbank accounts, totaled $1,125,074 million, compared with total currency in circulation of $28,868 million as of December 31, 1947.

The bulk of money circulation consists (about 85%) of Federal Reserve Notes (q.v.). Silver certificates, subsidiary silver, and minor coin constitute most of the remaining types. United States Notes, which are required to be reissued by law whenever they return to the Treasury, are the other type of currency issued regularly. These latter items are called "Treasury Currency" because the Treasury is responsible for their issuance or redemption. As of May 31, 1948, money in circulation by kinds was reported by the Board of Governors of the Federal Reserve System as follows:

Money in Circulation (1)
(in millions)

	May 31, 1948	April 30, 1948	May 31, 1947
Gold Certificates	$45	$46	$48
Federal Reserve Notes	23,525	23,489	23,953
Treasury Currency--total	4,242	4,182	4,259
Total	$27,812	$27,716	$28,261
Treasury Currency:			
Standard Silver Dollars	$155	$154	$148
Silver Certificates and Treasury Notes of 1890	2,061	2,011	2,071
Subsidiary Silver Coin	910	903	874
Minor Coin	344	342	330
U. S. Notes	315	310	321
Federal Reserve Bank Notes (2)	357	361	410
National Bank Notes(2)	100	100	107

(1) Outside Treasury and Federal Reserve Banks; includes any paper currency held outside the continental limits of the United States.
(2) In process of retirement.

Although of minor importance compared with bank debits, money in circulation has expanded sharply in recent years in a steady uptrend which appears to indicate a permanently higher level of circulation compared with that of the '20s. Compared with the pre-World War II year 1939, circulation is now 4 times larger, and compared with the boom year 1929, circulation is currently 6 times larger. Among the reasons for this phenomenon are the much larger volume of employment and payrolls, expansion in retail trade, elimination of interest on demand deposits, increased service charges on checking accounts, reduction in number of banking offices, etc. Expansion in circulation during World War II years was also induced by the large volume of payments to servicemen, Treasury cash expenditures, and

preference for cash instead of check payments in "black market" and "gray market" transactions. Expansion in circulation by denominations in recent years has compared as follows:

U. S. Money in Circulation, by Denominations
(in millions)

	May 31, 1948	Dec. 31, 1945	Dec. 31, 1940	Dec. 31, 1933
Coin and Small Denominations:				
Total	$19,259	$20,683	$6,247	$4,167
Coin	1,409	1,274	648	442
$1 (1)	994	1,039	610	402
$2	62	73	39	33
$5	2,015	2,313	1,129	719
$10	6,054	6,782	2,021	1,229
$20	8,724	9,201	1,800	1,342
Large Denominations:				
Total	8,555	7,834	2,489	1,360
$50	2,453	2,327	538	364
$100	4,943	4,220	1,112	618
$500	410	454	227	125
$1,000	735	801	523	237
$5,000	5	7	30	8
$10,000	10	24	60	10

(1) Paper currency only; $1 silver coins reported under coin.

Source--Federal Reserve Bulletin.

Total circulation reported outstanding, and circulation per capita in the United States since 1800 has compared as follows:

As of June 30	Total (000 omitted)	Per Capita
1800	$26,500	4.99
1840	186,305	10.91
1850	278,762	11.98
1860	435,407	13.82
1865	1,083,541	30.35
1870	774,966	19.42
1875	833,789	18.50
1880	973,382	19.37
1885	1,292,569	22.81
1890	1,429,251	22.67
1895	1,601,968	23.02
1900	2,081,231	27.35
1905	2,623,340	31.30
1910	3,148,684	34.07
1914	3,459,434	34.90
1915	3,319,582	33.01
1916	3,649,258	35.79
1917	4,066,404	39.32
1918	4,481,697	42.87
1919	4,876,638	46.42
1920	5,467,589	51.36
1921	4,910,992	45.25
1922	4,463,172	40.55
1923	4,823,275	43.08
1924	4,849,307	42.50
1925	4,815,208	41.57
1926	4,885,266	41.61
1927	4,851,321	40.75
1928	4,796,626	39.31
1929	4,746,297	38.98
1930	4,521,988	36.74
1931	4,821,933	38.87
1932	5,695,171	45.62
1933	5,720,764	45.56
1934	5,373,470	42.52
1935	5,567,093	43.75
1936	6,241,200	48.74
1937	6,447,056	50.05
1938	6,460,891	49.77
1939	7,046,743	53.84
1940	7,847,501	59.46
1941	9,612,432	72.16
1942	12,382,866	91.95
1943	17,421,260	127.63
1944	22,504,342	162.98
1945	26,746,438	191.56
1946	28,244,997	200.34
1947	28,297,000*	200.68*

*Unofficial figure added.

Source--Statistical Abstract of the U. S.

Note: In accordance with the Gold Reserve Act of 1934, $287 million in gold coin shown in Treasury records as outstanding was dropped from the statement of money in circulation (reflected in above 1934 figure).

MONEY MARKET

This term is a misnomer, since in the strict sense, there is no market place (except for call loans, see Call Money Market), nor is actual money lent. In reality, this term is synonymous with interest rates for various classes of paper and in any event would be more appropriately referred to as a credit market.

The money market consists of:

(1) Lenders.
   a. Banks and trust companies.
   b. Discount houses.
   c. Brokers.
(2) Borrowers.
   a. Commercial.
   b. Speculative.
   c. Agricultural.
   d. Industrial, etc.
(3) Intermediaries.
   a. Note brokers.
   b. Money brokers.
   c. Stock exchange brokers, etc.

None of these classes can be sharply defined, since banks or brokers may at different times exercise all these functions. The money market always relates to short-term loans, as distinguished from long-term loans, e. g., bonds in which corporations or governmentalities are the borrowers, the public are the lenders, and underwriting syndicates, the intermediaries.

In recent years of "managed" money rates, the level of rates and conditions in the money market have come to depend upon four principal factors: (1) Policies of the Treasury and the Federal Reserve System; (2) level of excess reserves of New York City member banks, and ultimately the magnitude of such reserves for the entire banking system; (3) demand for credit from the various classes of money market borrowers; and (4) credit expansion policies of the member banks. Thus, while factors (1) and (2) may encourage "easy money" and ample supply of excess reserves, actual expansion depends upon the demand for money market credit and the willingness of member banks themselves to expand such earning assets further.

In the New York money market, interest rates are quoted for five classes of loans, as follows:

(1) Call loans on stock exchange collateral.
(2) Time loans for 2, 3, 4, 5, and 6 month maturities.
    a. On mixed collateral.
    b. On industrial collateral.
(3) Commercial paper with 4 to 6 month maturities.
    a. Best names.
    b. Other names.
(4) Discount rates of the Federal Reserve banks.
    a. On commercial paper collateral.
    b. On government collateral.
(5) Bankers' acceptances for 1 to 6 month maturities.

Because of the relatively large investments by banks in U. S. Government securities, as compared with relatively low volume in other money market investments, short term and intermediate term U. S. Government securities yields have become a highly important section of the money market. Such yields are customarily quoted for (1) 3 months bills (rate on new issues offered); (2) 9 to 12 month certificates of indebtedness; and (3) 3 to 5-year taxable issues.

The range of open market money rates in New york City in recent years has compared as shown in table at bottom of page (source--Federal Reserve Bulletin).

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MONEY OF ACCOUNT

The kind of money in which the bookkeeping of a nation is carried on. In the United States business houses keep accounts in dollars and cents; in England, in pounds, shillings, and pence; in France, in francs and centimes, etc.

MONEY ORDERS

A form of credit instrument calling for the payment of money which provides a safe and convenient means of remitting funds by persons having no checking account. There are three parties to a money order; the remitter (payer), the payee, and the drawee. Money orders are issued by three types of organizations; the Post Office Department, express companies, and a number of the large banks, the former being most commonly used.

Postal money orders are of two kinds, domestic and international. Domestic form money orders are payable in the United States and its possessions, Canada, Newfoundland, Cuba, the Bahamas, Bermuda, British Guiana, British Honduras, Philippine Islands, and a number of the West Indian islands. International money orders are those payable in foreign countries.

Money orders may be secured at practically any post office in the United States. The first step is to fill out an application upon which the name and address of the payee and the remitter are stated together with the amount of money which it is desired to send. Upon receipt of the application with the amount to be sent plus the fee, the postmaster or postal clerk issues the money order which is addressed to the postmaster of the town or city in which the payee is located. The remitter then sends the money order to the payee, who by presenting it at the post office where he lives, will receive payment in cash upon proper identification.

The maximum amount for which a single money order may be issued is $100, although additional orders can be bought on the same day, if it is desired to send a larger sum. Applications must be preserved at the issuing post office for three years from date of issue.

Although money orders are issued against a designated post office, any money order purchased in territorial United States may be cashed at any money order post office in territorial United States if presented for payment on or before the expiration of the thirtieth day following the date of issue. If presented at a later date

Year	Prime Commercial Paper 4 to 6 months(1)	Prime Bankers' Acceptances, 90 days (1)	Stock Exchange Call Loan Renewals (2)	U. S. Government Security Yields(4)		
				3 Month Bills(3)	12 month Ctfs. of Indebtedness	3 to 5 year Taxable Issues
1947	1.03%	0.87%	1.38%	0.604%	0.88%	1.32%
1946	0.81	0.61	1.16	0.375	0.82	1.16
1945	0.75	0.44	1.00	0.375	0.81	1.18
1944	0.73	0.44	1.00	0.375	0.79	1.33
1943	0.69	0.44	1.00	0.373	0.75	1.34
1942	0.66	0.44	1.00	0.326	.....	1.46
1941	0.54	0.44	1.00	0.103	.....	0.73
1940	0.56	0.44	1.00	0.014	.....	0.50
1939	0.59	0.44	1.00	0.023	.....	0.59
1933	1.73	0.63	1.16	0.515	.....	2.66
1932	2.73	1.28	2.05	0.879	.....	.....
1929	5.85	5.03	7.61	.....	.....	.....

(1) Annual averages.
(2) The average rate on 90-day Stock Exchange time loans was 1.50% beginning August 2, 1946; 1.25% from May, 1936 to August 1, 1946; annual averages: 1936, 1.16%; 1933, 1.11%; 1932, 1.87%; 1929, 7.75%.
(3) Rate on new issues offered within period.
(4) Bills and notes were tax exempt prior to March 1, 1941.

and within one year from the last day of the month in which they are issued, they are payable only at the office designated in the money order as the paying office, or repaid at the issuing office. The holder is required to receipt a money order before it is paid.

Postal money orders may be transferred by indorsement but only one indorsement is permitted. Most banks will accept money orders for credit of depositors' accounts. Bank stamps are not regarded as indorsements.

Application for, and method of issuing international money orders by the Post Office Department, are similar to that of handling domestic money orders, except that the fees are higher. International money orders are issued in United States currency and not in that of a foreign country.

The fees charged for issuing domestic and international money orders together with instructions to applicants, as issued by the Post Office Department, are reproduced below and on page 412.

(See Bank Money Order, Express Company Money Order.)

Fees for Money Orders Drawn on Domestic Forms

Effective January 1, 1949

Fees to be charged for the issue of domestic money orders payable in the United States, including Hawaii, Puerto Rico and the United States Virgin Islands, or in Guam and Tutuila (Samoa); also for orders payable in:

Antigua	Dominica
Bahamas	Grenada
Barbados	Jamaica
Bermuda	Montserrat
British Guiana	Nevis
British Honduras	Newfoundland
British Virgin Islands	Philippine Islands
Canada	St. Kitts
Canal Zone	St. Lucia
Cuba	St. Vincent
Trinidad and Tobago	

From	$0.01 to $5	10¢
	$5.01 to $10	15¢
	$10.01 to $50	25¢
	$50.01 to $100	35¢

Postal Notes

Effective January 1, 1949

Postal Notes, any amount up to $10 Fee, 8¢ each

No application is required.

(For use in the Continental United States only)

MONEY POOL

A pool formed by banks to raise funds to supply the need of Stock Exchange brokers in time of need, and when insufficient funds are offered in the open market. (See Call Money Market.)

MONEY RATES

A general term, referring to the levels of interest rates generally and the cost of credit to borrowers of all types. Customarily, however, the term is used in connection with open market rates in New York City, the money center of the nation. (See Money Market.)

The levels of money rates, like those of any other free markets in a capitalistic economy, should be allowed to adjust themselves in accordance with the supply of and demand for funds. In recent decades, however, commencing with the inauguration of "managed" money rates in 1933, the Federal Government, through coordination of Federal Reserve and Treasury policies, has kept money rates at low levels, both as a stimulant to borrowing and as a means of keeping interest cost of deficit financing at low levels. This has been done largely through manipulation of the volume and distribution of bank "Excess Reserves" (q.v.), one of the major determinants on the supply side, assisted importantly until outbreak of World War II by large-scale gold imports.

In more recent years, however, during World War II and post-war years, the volume of excess reserves at New York City has ceased to exercise its former sensitive effect on money rates. Despite low level of excess reserves and even recourse to Federal funds at times, money rates at New York have continued evenly at low levels, taking their major cue instead from current policies of the Treasury in regard to interest rates on new offerings of Government securities. This reflects both the heavy position of banks and other investors in Government securities, and the continued "institutional" character of fixing of levels of money rates. Because of continued heavy Treasury financing requirements, magnitude of present outstanding Federal debt, and the huge stake of institutions in stability of levels of Government securities, it is probable that these "managed" and "institutional" characteristics of money rates will be continued indefinitely. (See Discount, Interest, Legal Rate of Interest, Rediscount Rate.)

MONEY RESERVE

See Bank Reserve, Gold Reserve, Reserve.

MONEY STOCK

See Monetary Stock, Money Circulation.

MONEY TRANSFER

The transmission of funds from one place to another by means of the public or private telegraph. The larger offices of the telegraph companies provide for the transfer of funds by wire to other important centers. The paying office requires the person presenting the telegram that requests payment to prove identification, unless identification is waived.

Money transfers are also made by means of private telegraph lines controlled by the larger banks, including the Federal Reserve banks. Suppose, for instance, that Bank B of Joliet, Illinois, which normally maintains balances with Chicago bank A, and a New York bank C, wishes to place itself in immediate possession of New York funds, which have suddenly become exhausted. Supposing banks A and B are correspondents with large reciprocal balances, bank B may instruct bank A to telegraph funds for its account with bank C. Upon receipt of the instructions over the private wire, therefore, bank C will credit account of bank B and charge the account of bank A. At the same time bank A will charge the account of bank C. Thus a transfer of funds has occurred without involving actual currency shipments. Confirmatory advices will be sent by mail from

Fees for International Money Orders

As of mid-1948, payable in Algeria, Argentina, Belgium, Brazil, Burma Cape of Good Hope, Cape Verde Islands, Chile, China, Colombia, Costa Rica, Czechoslovakia, Denmark, Eire (Ireland), Finland, France, Germany (Saar Basin only), Great Britain and Northern Ireland, Greece, Guatemala, Honduras, Hungary, Iceland, Italy, Lebanon, Luxemburg, Malaya, Mexico, Natal and Zululand, Netherlands, New South Wales, New Zealand, Norway, Orange Free State, Peru, Poland, Queensland, Salvador, South Australia, Surinam, Switzerland, Tasmania, the Transvaal, Tunis (Regency of), Uruguay, Victoria, Western Australia, and Yugoslavia.

For Orders from

	$00.01 to	$10	10 cents
From	$10.01 to	$20	20 cents
"	$20.01 to	$30	30 cents
"	$30.01 to	$40	40 cents
"	$40.01 to	$50	50 cents
"	$50.01 to	$60	60 cents
"	$60.01 to	$70	70 cents
"	$70.01 to	$80	80 cents
"	$80.01 to	$90	90 cents
"	$90.01 to	$100	1 dollar

Take notice that the maximum amount for which a single Money Order may be drawn in the United States is $100.

Instructions

In the application the given name of the remitter and payee, or initials thereof, should precede their surnames respectively. If the payee has only one given name, it should be written in full, if known to the remitter. For example, the name John Jones should be so written, and not as J. Jones. The given name or names of a married woman should be stated, and not those of her husband. For example, Mrs. Mary J. Brown should not be described as Mrs. William H. Brown, unless her own given names or initials thereof are unknown to the remitter. Observance of these rules will tend to prevent mistakes and delay in payment.

Names of persons, places and streets, as well as numbers and amounts, should be written in full and in the plainest manner possible.

The postmaster must refuse to issue an international order payable to any person, if the surname and the initial letters of that person's given names are not furnished by the applicant, unless the payee be a peer or a bishop, in which case his ordinary title is sufficient. If the payee be a firm, the usual commercial designation of such firm will suffice, as "Baring Bros.," "Smith & Son," "Jones & Co."

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bank A to bank C, and return advices from bank C to bank A.

MONEY VALUE

The value of an asset expressed in terms of the national currency, as contrasted with its barter value in terms of other goods and commodities. Money Value is the standard expression of value for labor, services, wealth of all kinds, etc. in advanced commercial societies. Stated money values may be nominal or current, depending upon whether they are arbitrarily fixed, or whether they reflect current realizable values.

MONEYED CORPORATION

Under New York State Statutes (General Corporation Law), stock corporations are classified as (1) moneyed corporations, (2) railroad corporations, (3) transportation corporations, (4) business corporations, and (5) cooperative corporations. The statute defines a "moneyed corporation" as a corporation formed under or subject to the Banking Law or the Insurance Law.

MONEYS OF THE WORLD

See Foreign Moneys.

MONOMETALLISM

A system in which only gold or some other metal (silver if not gold) is made the basis of the standard money of a nation, other metals being used for subsidiary monetary purposes only. This means that the coins of only one metal are endowed with full legal tender qualities and are coined without limitation as to quantity. Leading commercial nations now have a monometallic gold system, also known as the Single Standard, (q. v.), and distinguished from Bimetallism (q. v.), but most countries are on a bullion standard and prohibit or restrict internal circulation of gold coin.

MONTREAL CURB MARKET

See Montreal Stock Exchange.

MONTREAL STOCK EXCHANGE

The oldest Stock Exchange in Canada, having been founded in 1874. The following descriptive data is contained in a booklet published by the Public Relations Department of the Montreal Stock Exchange:

Early Beginnings.--The first security trading in Montreal began shortly after the Napoleonic Wars. In 1817, the Bank of Montreal was founded and publicly financed. In 1832, the Champlain and St. Lawrence Railway was incorporated, and stock to raise capital for this company was sold from the old Exchange Coffee House on St. Paul Street in Montreal. By the middle of the century, stocks were quoted daily in the Montreal press. In 1863, a "Board of Stock Brokers" was formed in Montreal, consisting of 11 members who met daily. They made rules regarding membership, commissions, and listing fees for stocks. In 1874, the Board of Stock Brokers became the Montreal Stock Exchange, incorporated under that name with a charter from the Government of the Province of Quebec. Volume of business in 1874 was modest, trading being con-

ducted in 63 issues, mostly banks, insurance, railroad and navigation stocks. Daily turnover totaled about 800 shares. With completion of the Canadian Pacific Railway in 1887, however, and increased economic development, the Montreal Stock Exchange expanded rapidly, and in 1904, the Exchange moved from St. Sacrament Street, where it had been operating since 1883, to its present quarters on St. Francois Xavier Street, in the heart of Montreal's financial district.

Recent Development.--Early in 1926, the Montreal Curb Market was organized by members of the Montreal Stock Exchange with a view to providing organized trading facilities for unlisted securities which could not meet the listing requirements of the Montreal Stock Exchange. One hundred memberships in the Montreal Curb Market were issued, 77 of which were taken up by members of the Montreal Stock Exchange, and 23 of which were sold to recognized stock brokers throughout Canada. The Montreal Curb Market was first housed in the Canadian Pacific Building on Hospital Street, but after three years of expansion, it moved into its present quarters in the Montreal Stock Exchange Building.

Organization and Administration.--Membership in the Montreal Stock Exchange at present is limited to 80 seats, and in the Montreal Curb Market, to 100 seats. These are not, however, arbitrary totals, and can be changed. Rights of entrance are transferable, and membership can be obtained subject to election and the acquisition of a seat. Requirements for membership are that the applicant be a male British subject, at least 21 years of age; that he furnish references as to character, responsibility and financial standing; in due course, the applicant is voted on by members. If elected, the member must then secure the transfer of a seat into his name. Provisions for election to the Montreal Curb Market are closely similar in nature.

The Montreal Stock Exchange is administered by a Governing Committee of 11 members, elected annually. The extent of the organization is indicated by the five standing sub-committees: (1) Committee of Arrangements. This is in effect a small executive committee able to act quickly and effectively with regard to both internal and external Exchange affairs. Among other responsibilities, it makes sure the financial status of member firms continues to be satisfactory.

(2) Building and Floor Committee, which controls the maintenance and operation of the exchange building. It provides proper facilities for trading and controls the conduct of all trading and traders on the floor.

(3) Listing Committee, which handles applications for the listing of securities and passes upon them, and sees that listing fees are paid. Records are kept of all additions, deletions and changes.

(4) Telephone, Telegraph and Non-Member Brokers Committee, which is in charge of all wire connections, exchange tickers, etc. as they apply to members and non-members.

(5) Public Relations Committee, which provides liaison between the exchange and the public. Quotation service is provided in both English and French. All statistics, market letters, etc. are controlled by this Committee.

In the interests of efficiency, the executive offices of the two exchanges, the Montreal Stock Exchange and the Montreal Curb Market, are merged in many respects. Thus, the General Manager of the Stock Exchange is also General Manager of the Curb Market. The chief officials of the two exchanges, the Chairman and the Governing Committee, act in a purely honorary capacity. Both exchanges are non-profit making organizations. The costs of administration are borne chiefly by the members through the payment of dues. Some revenue is secured through payment of listing fees.

Listing Requirements.--Broadly speaking, the main requisites for a corporation wishing to have its shares listed on the Montreal Stock Exchange are: (1) a sound financial position; (2) a distribution of the various securities of the applying corporation which would assure a public interest in the said securities; (3) competent management. Listing requirements of the Montreal Stock Exchange require that: (1) a copy of the charter of the applying corporation and amendments thereto be filed with the Exchange; (2) a copy of the by-laws of the corporation and all amendments thereto also be filed with the Exchange; (3) that all certificates representing securities listed on the Exchange be steel engraved in order to make imitation or forgery thereof exceedingly difficult; (4) that all certificates be transferable in the city of Montreal, and that no charge be levied for transfers; (5) that the following financial statements be filed with the application for listing: (a) statement of earnings for the previous 5 years (if available); (b) balance sheet as at the end of the previous fiscal year of the corporation; (c) revenue and expenditure account for the previous fiscal year; (d) surplus account as at the end of the previous fiscal year. In addition to the above, the Montreal Stock Exchange requires that all corporations whose securities are listed thereon, supply it with the following information: (1) immediate notification by telephone or telegraph of all dividend declarations; (2) immediate notification of rights issued to subscribe for additional stock of the corporation; (3) immediate notification of changes in the set-up of the corporation that would materially affect the prices of its securities.

Listing requirements of the Montreal Curb Market are similar to those of the Montreal Stock Exchange, but are not as exacting. By and large, the Curb Market is a seasoning ground for securities prior to their being listed on the Montreal Stock Exchange. The Curb Market's requirements in regard to the distribution of securities and the financial status of applying corporations are not as rigid as those of the Montreal Stock Exchange. Over 97% of the mining securities dealt in on the Montreal markets are either listed or traded in on the Montreal Curb Market. In listing mining securities on the Montreal Curb Market, the following are some of the principal requirements: (1) Full information as to properties, claims, etc. owned by the applying company; (2) the number of shares issued in payment of the property and number of shares issued for cash and the amount received therefor; (3) certified copies of all options, pooling or escrow agreements; (4) up to date report on work done on the property by a qualified engineer; (5) financial statements showing assets and liabilities.

Types of members.--The majority of members of the Montreal Stock Exchange are partners of Stock Exchange firms doing business with the public, called "commission brokers." There are also independent brokers or "floor brokers", not usually members of any firms, who have little or no dealings with the public. A floor broker carries out buy and sell orders for other members of the Exchange when these members are absent or have more business than they can handle.

For this service, the floor brokers receive 1/10th of the regular commission. Finally, there are the "arbitrage brokers", members of arbitrage firms which have several seats, on exchanges in Toronto, Montreal, London or New York, whose operations tend to maintain equivalent prices for securities listed or traded in more than one of these markets. At the present time, there are no brokers on the Montreal Stock Exchange or Montreal Curb Market who do purely an arbitrage business.

The Montreal Stock Exchange requires the member in whose name the membership is held to do the actual trading on the floor. The Montreal Curb Market, however, permits its members to appoint representatives to appear on the floor for them.

Trading Units and Deliveries.--"Board lots" are usually 25 shares on the Montreal Stock Exchange and 100 shares for mining stocks on the Curb Market. Any purchases and sales in quantities less than board lots are odd lots, involving usually 1/8th of a point odd lot charge. Deliveries are cleared through the Exchange Clearing House. The second day after the transaction takes place is settlement day. The stock broker must have posted delivery of securities due with the Clearing House, and the stock broker having a debit balance must give his check to the Clearing House by 12 noon on settlement day. At 1 o'clock, stock brokers receiving stock call for the securities at the Clearing House. All the certificates going through the Clearing House must be in Street names (in the name of a member house and endorsed in blank).

One characteristic of trading on the floor occurs whenever there are several sellers of a stock. The sellers toss coins for the privilege of making the sale. The same thing may happen if there are several buyers at the same price.

Trading volume.--Monthly transactions during a recent 12 months' period, together with brokers' loans and value of listings, are shown in the appended tabulation.

MOODY'S INVESTORS SERVICE

One of the oldest investors advisory services and publishers of financial information, founded by John Moody in 1908. The business was incorporated in New Jersey on June 30, 1914.

The service publishes "Moody's Manuals", issued annually in five volumes, Governments, Banks and Finance, Industrials, Public Utilities, and Railroads, together with the semi-weekly news supplements for each of these manuals. In addition, Moody's Dividend Record and Moody's Bond Record are published. These manuals and records cover the entire investment field with their factual reporting service.

Statistical Summary

Montreal Stock Exchange - Montreal Curb Market

Monthly Transactions

	Industrial Volume	Mining Volume	Combined Volume	Dollar Value
1947: July	882,369	2,123,678	3,006,047	$21,424,932
August	552,950	4,478,119	5,031,069	15,469,254
September	745,084	5,705,984	6,451,068	21,727,998
October	1,202,341	4,546,774	5,749,115	33,333,743
November	1,136,936	5,097,166	6,234,102	32,979,114
December	845,024	2,375,399	3,220,423	21,102,317
1948: January	881,047	2,430,139	3,311,663	23,391,663
February	793,560	3,746,136	4,539,696	21,540,377
March	867,325	4,083,180	4,950,505	21,455,619
April	1,372,160	3,911,338	5,283,498	37,304,414
May	1,714,390	4,328,752	6,043,142	44,407,259
June	1,092,965	2,706,864	3,799,829	31,864,816
July	765,792	1,654,960	2,420,752	21,606,834

	Brokers' Loans	Ratio to Value of Stocks	Value of Listings
1947: July	$16,467,494	0.18	$9,064,572,950
August	18,850,019	0.21	9,040,818,856
September	18,759,451	0.21	8,964,333,487
October	22,781,884	0.25	8,991,964,906
November	24,196,380	0.26	9,194,924,837
December	25,388,288	0.29	8,761,857,369
1948: January	19,824,849	0.23	8,576,453,283
February	17,719,490	0.22	7,968,729,911
March	15,337,774	0.18	8,521,823,985
April	15,906,818	0.18	8,790,244,657
May	17,406,495	0.18	9,373,096,046
June	19,389,613	0.21	9,227,970,319
July	.....	.....	.....

Source--Monthly Review of the Montreal Stock Exchange and Montreal Curb Market.

Interpretative and advisory services published regularly are Moody's Stock Survey, and Moody's Bond Survey, as well as Moody's Advisory Reports. In addition, the company operates several forms of investment services, and does special research and economic and investment supervisory work for banks, brokers, financial institutions, corporations, estates, and individual investors.

Moody's originated investment ratings familiarly known as Moody's Bond Ratings, which are widely used by bankers and investors.

Branch offices are located in Chicago, Philadelphia, Boston and Los Angeles, with sales offices in other principal cities. The company controls Moody's Investors Service, Ltd., a subsidiary operating in England which controls Moody's Service, Ltd.

The company is capitalized at 60,000 shares of non-callable $3 cumulative participating preference stock, no par value (publicly offered at $52 per share in November, 1928), and 60,000 shares of no par value common stock, all owned by the management and employees. The preference stock is fully listed on the New York Curb Exchange.

MORAL RISK

That part of the risk involved in loaning money which depends upon the integrity or honesty of the borrower or prospective borrower. In one-name, straight, or uncollateraled loans, if not all loans, the moral risk is the most important of all the elements of the credit. The personal equation dominates all others, since without character and integrity no person can be trusted, irrespective of the ability and property he may possess. In judging the moral risk involved in the application for a loan several elments must be investigated, e. g., reputation for honesty, sobriety, veracity and standard of business ethics. Does the risk make a practice of "welching" on contracts when the market goes against him? Does he engage in unfair competition? Is he conservative in his commitments? Are his past performances and antecedent connections above reproach? What reputation does he have in the trade and among his banking connections? These are some of the questions to be asked in measuring the moral risk. (See Business Risk, Credit, Credit Risk, Property Risk.)

MORATORIUM

An order by a Government making it lawful to defer payment of all or certain kinds of debts for a certain period of time beyond the original maturity in order to prevent general bankruptcy or collapse of credit by legally protecting debtors as against their creditors in times of public danger. Holdsworth defines a moratorium as "an official declaration or decree by the Government postponing all or certain types of maturing debts for a given period" (Money and Banking).

In recent United States financial history, moratoria have been invoked in connection with banks and mortgage debts. Banking moratoria began on February 14, 1933, when Michigan ordered all banks in that State closed for eight days. Other States quickly invoked similar action, and the crisis culminated in the national "bank holiday" invoked by the President on March 6, 1933. The Emergency Banking Relief Act of March 9, 1933 authorized the Comptroller of the Currency to appoint conservators for any National bank when considered necessary in order to conserve its assets, provided for issuance of preferred stock by national banks, and preferred stock and capital notes or debentures by State banks, to the Reconstruction Finance Corporation, to strengthen capital funds of banks, and authorized reorganization of National banks upon approval of the Comptroller and 75% of depositors or 66 2/3% of the stockholders, or both. Sound banks were allowed to reopen promptly after termination of the "holiday".

Moratoria in connection with mortgage debts were also invoked by States during the depth of the real estate depression to avoid wholesale foreclosures of mortgagors unable to meet principal instalments and interest. Later, these moratoria were continued on a modified basis until general recovery permitted full resumption of amortization and interest payments.

MORRIS PLAN

Morris Plan banks specialize in "retail" bank credit, making small personalized loans, including those for housing repairs, modernization, and new household equipment. As specialists in consumer credit, they offer competition to commercial banks which have entered this field in recent years, as well as in "personal loans" where such departments have been established. These banks derive their name from Mr. Arthur J. Morris who, after investigating the co-operative banks of Europe, founded the first Morris Plan Company in Norfolk, Virginia, in 1910.

Morris Plan banks have been successful in becoming eligible for membership in the Federal Reserve System, for deposit insurance membership in the Federal Deposit Insurance Corporation, and in being recognized by State banking and legislative authority as banking institutions constituting part of the banking system of the State.

One feature of the Morris Plan is that of insuring the lives of borrowers through the Morris Plan Insurance Society. Borrowers may procure life insurance policies for the full amount of their loans, which will be applied in payment of such loans and the remainder, in the case of death, paid to the family or estate, thus relieving the co-makers and dependents from responsibility.

Present corporate set-up of the Morris Plan System is headed by the Morris Plan Corporation of America, which was incorporated in Virginia in 1925 and issued all its common stock to the Industrial Finance Corporation in consideration for transfer of "The Morris Plan" goodwill, trademark and similar rights including privilege of enfranchising and organizing Morris Plan Banks and companies and furnishing them with auditing, advertising, advisory, rediscounting and other services, to which functions of the company were limited until September, 1931. In September, 1931, the Industrial Finance Corporation transferred back all of its interests in the Morris Plan Banks and companies and in the Morris Plan Insurance Society to the Morris Plan Corporation of America. As a result, the Morris Plan Corporation of America became and has since continued to be the parent company of the Morris Plan Insurance Society and of the group of Morris Plan banks and companies. The corporation in October, 1945 also merged the Industrial Finance Corporation.

The Morris Plan Corporation of America, therefore, is the top Morris Plan holding company whose subsidiaries and affiliates are engaged directly or indirectly in supplying consumer, commercial and personal credit; general and commercial banking; the offering of new

plans of wholesale and retail automobile and other consumer goods financing and related insurance services in conjunction with dealers, manufacturers and banks, in part through the "A B C Plan" (q.v.), the American Bank Credit Plan; other related insurance activities; and to a limited extent, in the small loan business.

As of May 2, 1946, the Morris Plan Corporation of America owned directly or through a subsidiary, a majority of voting stock of 13, and a minority interest in 31, Morris Plan banks and trust companies. The majority owned institutions operated in 20 cities, in 8 states and the District of Columbia.

In turn, the Morris Plan Corporation of America is controlled by the American General Corporation, a subsidiary of the Equity Corporation, which owns over 61% of the outstanding common stock.

MORTGAGE

Mortgages in legal contemplation are of two types--(1) the common law mortgage, which conveys title to the land which is security for debt to the mortgagee, subject to condition subsequent that upon payment of the debt with interest as convenanted, the conveyance shall be void; and (2) the legal lien mortgage, which entitles the mortgagee to merely a legal lien upon the land. The legal lien concept has been recognized by statutes of many States, including New York. The New York statutory legal lien mortgage, which is reproduced below, is defined by the New York Real Property Law as having the effect of a conveyance of land by the mortgagor to the mortgagee on the condition subsequent that if the mortgage debt be paid with interest at maturity the conveyance shall be void.

The mortgagee, i. e., lender, should make certain that the title to mortgaged property is in the name of the mortgagor. A lawyer may be engaged to search the title, or else the services of a title insurance company may be secured. These companies make a business of searching titles and guaranteeing their validity. An abstract of title is given by the lawyer or title insurance company to show the succession of ownership of the property and the encumbrances thereon, if any. Whenever a mortgage covers buildings or other property destructible by fire, the property should be adequately insured.

When the mortgage has been delivered to the mortgagee it should be recorded in the office of the registrar of deeds at the county seat. This is necessary in order to circumvent the possibility of a dishonest mortgagor giving a subsequent mortgage upon the property which may be recorded prior to the first.

The following is the statutory form of mortgage provided by Section 258, New York Real Property Law, which section does not prevent or invalidate the use of other forms:

Schedule M
Mortgage

Statutory Form M.

This mortgage, made the ..... day of .....nineteen hundred and ....., between ..... (insert residence), the mortgagor, and ....(insert residence),the mortgagee.

Witnesseth, that to secure the payment of an indebtedness in the sum of .....dollars, lawful money of the United States, to be paid on the ..... day of ....., nineteen hundred and ....., with interest thereon to be computed from ..... at the rate of ..... per centum, per annum, and to be paid....., according to a certain bond or obligation bearing even date herewith, the mortgagor hereby mortgages to the mortgagee .....(description).

And the mortgagor covenants with the mortgagee as follows:

1. That the mortgagor will pay the indebtedness as hereinbefore provided.

2. That the mortgagor will keep the buildings on the premises insured against loss by fire for the benefit of the mortgagee.

3. That no building on the premises shall be removed or demolished without the consent of the mortgagee.

4. That the whole of said principal sum shall become due after default in the payment of any instalment of principal or of interest for .....days, or after default in the payment of any tax, water rate or assessment for ..... days after notice and demand.

5. That the holder of this mortgage, in any action to foreclose it, shall be entitled to the appointment of a receiver.

6. That the mortgagor will pay all taxes, assessments or water rates and in default thereof, the mortgagee may pay the same.

7. The mortgagor within ..... days upon request in person or within ..... days upon request by mail will furnish a statement of the amount due on this mortgage.

8. That notice and demand or request may be in writing and may be served in person or by mail.

9. That the mortgagor warrants the title to the premises.

In witness whereof this mortgage has been duly executed by the mortgagor.

(See Chattel Mortgage, Farm Mortgages, Mortgage Bonds, Mortgage Certificates, Mortgage Loans, Purchase Money Mortgage.)

MORTGAGE BONDS

Bonds secured by a mortgage on property, whether real or personal, or both. Mortgage or secured bonds are to be distinguished from debenture or unsecured bonds. In the United States mortgage bonds are more popular than debentures, whereas the reverse is the case in England. (See Consolidated Mortgage Bonds, First Mortgage Bonds, General Mortgage Bonds, Refunding Mortgage Bonds, Second Mortgage Bonds, etc.)

MORTGAGE CERTIFICATES

A modified form of mortgage or real estate bond, also known as mortgage participation certificates, now in considerable disfavor as the result of unfavorable experience, operating and legal, with them during the 1929-1932 real estate depression. Many mortgage companies formerly issued mortgage certificates, and usually guaranteed the payment of both interest and principal, based upon and representing an interest in first mortgages which they owned. Such guarantee, however, proved worthless when invoked in volume, because the ratio of outstanding guarantees to capital funds was 20:1 and even as high as 40:1, and the companies went into reorganization or liquidation. There were several types of mortgage certificates. In some cases, certificates represented shares or participations in a specific bond and mortgage of large denomination held by the mortgage company and in which a precise description of the property securing the mortgage was recited. In other cases, the certificates were secured by a general

pledge of mortgages, equal in value to the certificates which were not specifically enumerated or described but deposited with a trustee. Mortgages so deposited were accompanied by: (1) a certificate of appraisal showing that the value of the property covered by the mortgage was at least twice the principal of said mortgage (to meet this requirement, actual practice tended to be over-liberal in appraisals); (2) policy of fire insurance fully protecting the holders of the certificates against loss in case of fire; and (3) policy of title insurance, guaranteeing the validity of the mortgage.

First mortgage certificates on property in New York state were formerly legal investments for trust bonds, but under 1936 amendment to the Decedent Estate Law and Personal Property Law, the specifically declared intention of the amendment was stated to be to prohibit any future investments in parts of bonds and mortgages for trust funds.

MORTGAGE COLLATERAL TRUST BONDS

Same as Collateral Mortgage Bonds (q.v.).

MORTGAGE COMPANY

A company whose business consists of the lending of funds upon mortgage security, usually also transacting related activities such as title insurance, mortgage servicing, and investing operations including purchase and sale as middlemen of outstanding mortgages. Title and mortgage companies are subject in New York State to the Insurance Law, and hence are "moneyed corporations". In New York, many mortgage companies engaged in the sale of guaranteed mortgages and mortgage certificates were placed in reorganization or liquidation following the breakdown caused by the 1929-1932 depression in real estate. The New York State Mortgage Commission was formed to take over some $800 million in mortgages securing mortgage certificates which had been sold by these companies with their guarantee. (See Farm Mortgage Companies.)

MORTGAGE DEBENTURES

Mortgage bonds; a title used in countries where debenture is synonymous with bond.

MORTGAGE INSURANCE

See National Housing Act.

MORTGAGE INVESTMENT COMPANY

A mortgage lending and investing institution similar to the Mortgage Company (q.v.), acting both for own account and as middlemen in the creation, purchase or sale of mortgages on urban or farm property. (See Farm Mortgage Companies.)

MORTGAGE LOAN AND INVESTMENT COMPANY

A variant in designation for Mortgage Company, and Mortgage and Investment Company (q.v.). See also Farm Mortgage Companies.

MORTGAGE LOANS

Loans made on real estate collateral, urban, or rural, residential or business, in which a mortgage is given to secure payment of principal and interest. This class of loans is specialized in by savings banks, life insurance companies, mortgage companies, building and loan associations, farm mortgage companies, etc.

Under Sec. 24 of the Federal Reserve Act, National banks may make real estate loans secured by first liens upon improved real estate, including improved farm land and improved business and residential properties. Such loans secured by real estate shall be in the form of obligations secured by mortgage, trust deed or other such instruments upon real estate. Any National bank may purchase any obligation so secured when the entire amount of such obligation is sold to it. The amount of any real estate loans by National banks shall not exceed 50% of the appraised value of the real estate offered as security, and no such loan shall be made for a longer term than 5 years; except that:

(1) Any such loan may be made in an amount not to exceed 60% of the appraised value of the real estate offered as security, and for a term not longer than 10 years, if the loan is secured by an amortized mortgage, deed or trust or other such instrument, under the terms of which the instalment payments are sufficient to amortize 40% or more of the principal of the loan within a period of not more than 10 years; and

(2) these limitations and restrictions do not apply to real estate loans which are insured under the provisions of Title II of the National Housing Act.

No National bank shall make such loans in an aggregate sum in excess of the amount of its capital stock paid in and unimpaired plus the amount of its unimpaired surplus, or in excess of 60% of the amount of its time and savings deposits, whichever is the greater.

Loans made to finance the construction of residential or farm buildings and having maturities of not to exceed 6 months, whether or not secured by a mortgage or similar lien on the real estate, shall not be considered as loans secured by real estate, but classed as ordinary commercial loans. However, no National bank shall invest in, or be liable on, any such loans in an aggregate amount in excess of 50% of its actually paid-in and unimpaired capital. Loans made to established industrial or commercial businesses, so-called "industrial loans" in which Federal Reserve Banks or the Reconstruction Finance Corporation participate, are also exempt from the restrictions or limitations upon loans secured by real estate.

Most State banks and trust companies are not restricted to such an extent in making mortgage loans, either as to individual loans or as to the aggregate maximum which may be outstanding. Consequently, over a period of years the trend of legislation has been to liberalize the stringent restrictions upon National banks.

The papers incidental to a mortgage loan are: (1) note or bond (as evidence of debt); (2) mortgage duly executed (as security for loan); (3) certificate of appraisal (indicating the value of the mortgaged property and its excess of value over the mortgage); (4) abstract of title, or policy of title insurance, indicating that there are no prior liens against the property and in the case of the policy of title insurance, guaranteeing the validity of the title; and (5) insurance papers (to protect the lender against loss in case of destruction of the mortgaged property by fire.)

In applying for a mortgage loan upon city property, the applicant fills in a blank, provided by the lending institution, giving the following information: (1) amount of money desired; (2) location of property; (3) dimensions of ground; (4) dimensions of building; (5) building materials; (6) purposes for use; (7) value of ground; (8) value of building; (9) annual rental; (10) amount of insurance. The signature of the bondsman or mort-

gagor (borrower) is then attached to the application.

The essentials of security in mortgage loans are: (1) extent of the margin of safety, i. e., excess of the appraised value over the total encumbrances on the property; (2) possibility of depreciation in neighborhood values; (3) earning power of the property in rentals and the amount of their excess over taxes, insurance, repairs, and all other charges; (4) adaptability of buildings for other uses; (5) location with reference to transit facilities.

(See Farm Mortgages, Legal Investments for Savings Banks, Legal Investments for Trust Funds, Life Insurance Company Investments, Limitations on Bank Loans.)

MORTGAGE PARTICIPATION CERTIFICATES

See Mortgage Certificates

MORTGAGEE

See Mortgage.

MORTGAGOR

See Mortgage

MOVE

A stock market expression to denote an upward or downward course in the price of a particular stock or in the general market, brought about by the appearance of favorable or unfavorable conditions, or by professional or public participation.

MOVEMENT

See Swings.

MOVEMENT OF CROPS

The principal grain crops are moved from the farms to the milling centers and Eastern seaboard for export trade in the interval from August to October, the peak usually being reached in September. On account of the demand for money and credit required by the purchasers to pay the farmers at this period, large withdrawals of deposits occurred from the Eastern banks by Western banks. After settlement with the farmers had been made and the farmers in turn had paid their debts and made their autumn purchases, these funds gradually found their way back to the East as deposits in the larger banks of the money centers. The crop moving period was, for this reason, a period of money strain, and was usually accompanied by temporary higher money rates, especially affecting the New York call money market, the first to feel the influence of a money squeeze. It was significant that most of the business recessions or even full-fledged panics originated during the crop moving period on account of the intensity of the demand for funds at this time.

With the establishment of the Federal Reserve System, Federal agencies for supplying agricultural credit, e.g., Federal Intermediate Credit Banks and Banks for Co-operatives, and the ease with which banks can secure funds through the rediscount process from the Reserve banks, the crop moving period is now passed without the same fear of a money disturbance that formerly attended it. (See Crop Reports.)

MULTIPLE CURRENCY BONDS

Bonds the principal and interest of which are payable in the currencies of several nations. A number of European Government issues are of this class, e. g., Government of the Kingdom of Norway Sterling 3s of July, 1886, due 1961, and of July, 1888, due 1964, are payable (principal and interest) in London in sterling, in Berlin, Hamburg and Frankfort in marks, in Paris in francs, and in Oslo in kroner.

MUNICIPAL BANKRUPTCY ACT

An Act, approved May 24, 1934, which provided that during the emergency period of two years cities and local taxing units might petition Federal courts for approval of plans for readjustment of their debts if endorsed by holders, of 51 per cent. of their outstanding obligations. It is also stipulated that the plan of readjustment should not be confirmed by the judge until it had been approved by creditors holding two-thirds in amount of each class of claims affected by the plan, and also of those holding three-fourths in amount of all securities.

This act now constitutes Chapter IX, of the National Bankruptcy Act, having been made permanent in 1946.

MUNICIPAL BONDS

Bonds which are obligations of a county, city, town, village, tax district, or other civil division of a state, as distinguished from Government bonds, state bonds, and bonds of business corporations. Municipal bonds constitute one of the subdivisions of civil issues. The fundamental difference between municipal bonds and corporation bonds is that whereas the latter are retired out of earnings, municipal bonds are paid off through taxes levied upon the property located in the civil division which issues them.

Municipal obligations are usually issued for the following public purposes: school houses and equipment, water works and mains, public buildings, street improvements, sewers, drainage, irrigation, and reclamation, parks and museums, bridges, fire equipment, grade crossings, harbor improvements, highways, public markets and other public utilities, libraries, and for refunding maturing issues, etc. Types of obligations, classified from the standpoint of payment, are: (1) direct and general obligations, for which the full faith and credit of the issuing municipality are pledged. All taxable property of the municipality is subject to taxation, up to the tax limits if any, for the payment of principal and interest on such direct and general obligations. (2) revenue bonds, which are payable from specified revenues, usually those from the property or facility financed by the revenue bonds; (3) special assessment bonds, which are payable from assessments upon property deriving benefits from the improvements financed by the bonds; and (4) tax anticipation warrants or notes, which are issued in anticipation of taxes levied or assessed and in process of collection, and which are usually a first claim upon such tax receipts.

Direct and general obligations (and other types of municipal obligations) are never secured by a specific pledge of collateral, but payment of principal and interest is assured through the taxing power of the issuing municipality, provided they have been legally issued. Legality (or validity) of issue is the first and fundamental consideration in testing the safety of municipal bonds. If the bonds comply with all the laws of the Government and the state in which the municipality is located, they must be paid. Since municipalities may be sued, bondholders may have recourse to the courts to

endorse collection of taxes through an increase in the tax-rate (depending on legal tax limits) sufficient to pay the interest on any legally issued municipal bonds. Although most States have tax limit legislation, many of these States exclude debt service from such tax limits. Other considerations of equal importance are the good faith of the issuing community (as shown by past records), financial competency of the community's officials, and financial statement.

In analyzing financial statements of municipalities, assessed value of taxable property, the basis of taxation, is fundamental, as well as the assessment basis used by the municipality in taxation. Assessment bases vary widely throughout the United States, so that the mere figure for assessed valuation of property is not completely indicative unless the assessment basis is also given. Sinking funds should be deducted from gross debt to determine net debt. Using net debt as the basis, debt per capita and net debt percentage to assessed value of taxable property are the two basic financial indicators of municipal credit. In making comparisons of these ratios, municipalities are grouped in groups comparable as to population and total assessed valuation of property, so that such ratios appearing high for small cities would not be considered high for larger cities. Comparison of the prevalent tax rate compared with legal limit if any is also of interest, although many States exclude debt service from tax limits, as well as the trend of general revenues and general expenditures, and the volume of tax delinquencies. A high tax rate with rising delinquencies and budget deficits would indicate credit difficulties.

Municipal bond prices usually fluctuate with interest rates, and are not directly affected by business conditions. The rate of interest which they bear depends upon a number of variables including (1) the size and importance of the issuing municipality; (2) section of the country; (3) type and purpose of the obligation; (4) past record of the issuing municipality, and (5) financial statement. Due to their intrinsic strength, municipal obligations can usually be marketed at a lower rate of interest than any other class of obligations, except Government and state securities. While the stock exchanges do not provide a market for municipal bonds, a fair market is always provided by the many bond houses throughout the country which specialize in this class of securities. They are always acceptable as bank collateral.

Municipal bonds are sold by the issuing civil division, usually by inviting competitive public bids advertised for in a newspaper. When bids are offered, they must be sealed and accompanied by a certified check equal to a certain percentage of the issue. The papers required of the issuing jurisdiction in authorizing a municipal bond issue are as follows:

(1) Copy of the minutes in which the resolution authorizing the issue, states (a) amount, (b) maturities, (c) purpose, (d) date of issue, (e) interest rate, (f) where payable, (g) form of bond, (h) vote of officers (trustees) of jurisdiction, (i) citation of law under which issued.

(2) Copy of bond form.

(3) Attorney's opinion as to legality, which states (a) that the resolution has been examined, (b) that the general code has been examined, and (c) that in his opinion the bonds are (or are not) a binding obligation.

(4) Transcript of Record of Proceedings, which include (a) title of issue, (b) name of jurisdiction, (c) names of its regularly constituted officers, (d) fiscal statistics of jurisdiction, e. g., population, debt, tax rate and application of taxes, (e) resolution to issue bonds, (f) legal notice of sale, (g) proof of publication, (h) bond and financial statement, (i) correspondence with successful purchaser, (j) minutes of meeting accepting successful bid, (k) treasurer's certificate that bonds have been paid for, (1) signature identification certificate containing signatures of officers who have signed the bonds, (m) satisfactory evidence that no litigation is threatened or pending against the jurisdiction affecting the validity of the bonds or the right of the officers to hold office.

With general recovery in municipal finances since 1933, low money rates, and plethora of investment funds seeking investment, municipal securities have generally enjoyed a favorable market experience in recent years. One of their most important investment advantages in recent years of high taxes has been their exemption from all Federal income taxes, in addition to which most States exempt from taxation their domestic State and municipal issues. (See Legal Investments for Savings Banks, Legal Investments for Trust Funds, Life Insurance Company Investments, Municipal Debts.)

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MUNICIPAL DEBTS

Debts of State and local governments, apart from Federal Government debt. In addition to the Federal Government and the 48 States, there were over 155,000 governmental units in the United States as of 1942.

Since 1938, gross debt of the States has been reduced over 35% and net long term debt, over 33%, as the following tabulation indicates:

Summary of State Gross Debt, Net Long Term Debt
1938-1946
(in millions)

Year	Gross Debt Total	Gross Debt Long Term	Gross Debt Short Term	Net Long Term Debt
1946	$2,366	$2,344	$22	$1,750
1945	2,525	2,522	3	1,890
1944	2,792	2,784	9	2,100
1943	2,944	2,924	21	2,306
1942	3,267	3,104	163	2,547
1941	3,497	3,300	197	2,651
1940	3,642	3,327	315	2,627
1939	3,545	3,372	173	2,646
1938	3,383	3,298	85	2,625

Source--Bureau of Census.

In contrast to the declining trend in State and local debt in recent years, Federal Government debt has sharply expanded as the table on page 420 shows.

Gross Debt of Federal, State and Local Governments
1902-1946
(in millions)

Year*	Total	Federal(1)	State and Local(2) Total(3)	State	Local
1902	$3,372	$1,178	$2,194	$270	$1,924
1912	5,692	1,194	4,498	423	4,075
1922	33,219	22,963	10,256	1,163	9,093
1932	39,049	19,487	19,562	2,896	16,680
1940	63,177	42,968	20,209	3,526	16,720
1941	69,143	48,961	20,182	3,413	16,812
1942	92,064	72,422	19,642	3,211	16,479
1943	155,341	136,696	18,645	2,909	15,783
1944	218,429	201,003	17,426	2,768	14,703
1945	275,234	258,682	16,552	2,425	14,164
1946p	285,309	269,422	15,887	2,358	13,564

(1) Debt of U. S. Government; includes general Treasury obligations borrowed on behalf of Federal agencies and excludes Federal agency debt incurred outside of general Treasury. Insofar as Federal Government utilities and enterprises are financed through general and special accounts, Federal debt comprises both general and enterprise debt.

(2) Comprises debts both for general purposes and for Government enterprises.

(3) Beginning 1932, totals are less than sum of State and local public debt by amount of duplicating State debts for reloan to local governments.

*Beginning 1940, data are as of June 30th; earlier data, as of ends of fiscal years.

pPreliminary.

Source--Statistical Abstract of the U. S.

Gross debt of leading cities (the 397 cities having populations in 1940 of over 25,000) has declined over 12% since 1942, while net long term debt has declined over 14% during the same period, as the following table shows:

City Finances
Cities with 1940 Population of Over 25,000
(in millions)

	1946	1945	1944	1943	1942
Total general Revenues	$2,916	$2,714	$2,663	$2,591	$2,589
Total general Expenditures	2,939	2,685	2,620	2,614	2,677
Provision for Debt Retirement	272	293	320	320	293
Gross Debt	7,164	7,326	7,497	7,820	8,155
Net Long Term Debt	5,831	5,978	6,175	6,488	6,823
New Borrowing	177	106	49	48	N.A.

N.A.--Not available.

Source--Bureau of the Census.

Latest trend, however, is for municipal financing to increase. Total volume of municipal financing in 1947 was $2,353.8 million, in long term financing, as compared with $1,203.6 million for 1946. Short term municipal financing in 1947 aggregated $957.5 million, compared with $740.8 million in 1946.

(See Municipal Bonds.)

MUNICIPAL WARRANT

As defined by the Governors of the Federal Reserve System, warrants "shall be construed to mean bills, notes, revenue bonds, and warrants with a maturity from date of purchase of not exceeding six months, and the term municipality shall be construed to mean state, county, district, political subdivision, or municipality in the continental United States, including irrigation, drainage, and reclamation districts." Under Sec. 14 (b) of the Federal Reserve Act, any Federal Reserve bank can purchase warrants issued by a municipality in anticipation of the collection of taxes or in anticipation of the receipt of assured revenues, provided they are general obligations of the entire municipality and other conditions. (See Federal Reserve Board Regulation--Regulation F.)

A municipal warrant may originate as an order given by a municipal official acting under proper authority upon the treasurer of such municipality to pay a certain person, firm, or corporation a certain sum of money for goods or services advanced, and which when presented to the treasurer, cannot be paid for lack of funds. When stamped as follows: "Presented but not paid on account of lack of funds. This warrant bears interest from this date until paid at the rate of ..... per cent." together with the treasurer's signature, the order becomes a warrant. The details of the warrant are then entered, i. e., registered in the treasurer's records. A warrant may be payable to bearer or to order.

When a municipality having warrants outstanding accumulates funds available for their redemption, a call is inserted in a local newspaper announcing that warrants of designated numbers will be paid upon presentation, naming the date when interest will cease. A person who invests in warrants must provide some method of automatic notification so that when a call is announced, prompt presentation may be made in order to avoid loss of interest. (See Warrant.)

MUNICIPALS

A market designation for Municipal Bonds (q. v.).

MUNIMENT OF TITLE

A muniment is a document by which rights are fortified or maintained. One of the legal characteristics of a bill of lading is that, beside being a receipt for goods and a contract to ship, it is a muniment of title.

(See Bill of Lading.)

MUTILATED CURRENCY

Coins which are cut, punched, trimmed, etc., and paper money which is torn or badly worn.

Paper money received by banks for deposit may be so mutilated and worn as to be unfit for circulation. It devolves upon the banks dealing with the public to redeem such money and to pay out, so far as possible, only clean, crisp bills.

It is the function of Federal Reserve banks to provide new bills and coins in exchange for mutilated and worn ones. Redemption of uncurrent bills is best effected by exchanging them for new ones at the nearest Federal Reserve bank. Where a Federal Reserve bank is in the same city, this can be accomplished by direct delivery. Otherwise it is necessary to forward the currency by express, express and insurance charges being borne by the Federal Reserve bank for member banks.

Mutilated coins are also redeemable at the Federal Reserve banks. Since they are statutorily over-valued, mutilated and light weight silver dollars, subsidiary

silver and minor coins are normally redeemable at face value.

Mutilated and torn paper currency is redeemable at face value by the Currency Redemption Division of the U. S. Treasurer, provided three-fifths or more of the bill remains. For less than three-fifths, but for two-fifths and more, a piece of paper money is redeemable at one-half its face value. For less than two-fifths, a piece of paper money is generally worthless. If the holder of any portion of a mutilated bill will furnish an affidavit certifying that the missing portion has been destroyed, that piece of paper money will be redeemed at face value.

(See Light Coin, Light Gold, Redemption of Money.)

MUTUAL MORTGAGE INSURANCE

See National Housing Act.

MUTUAL SAVINGS BANK

See Savings Banks.

NAKED RESERVE

The reserve of a Federal Reserve bank after making adjustments for borrowing from and loans to other Federal Reserve banks, as distinguished from the actual reserve. Each Federal Reserve Bank is required to maintain reserves in gold certificates equal to at least 40% of Federal Reserve Notes in circulation and reserves in gold certificates or lawful money equal to at least 35% of deposits. Under the Federal Reserve Act, the Federal Reserve Board has power to require any Federal Reserve bank to rediscount paper held by another, e. g., a Federal Reserve bank in a strong position may be required to rediscount the paper of another in a weak position. The actual reserve of each Federal Reserve bank does not exhibit its real strength or weakness and consequently the credit condition of the region served, because the actual reserve gives effect to inter-reserve borrowings and lendings. The naked, or adjusted reserve, is a derived figure, calculated to reveal the true strength of each regional reserve bank. It is ascertained by adding to the reserve bank's actual reserve the amount of its lendings (through rediscounts) to other Federal Reserve banks and subtracting them from the amount of its borrowings, if any. In this way the adjusted or naked reserve is correspondingly increased or diminished and the effect of inter-reserve bank rediscount operations is eliminated.

The Board of Governors of the Federal Reserve System points out that Federal Reserve credit policy is determined on the basis of the broad needs of the credit and business situation, and not on the basis of variations in the reserve ratio. During most of their existence, the Federal Reserve Banks have had reserves amply in excess of requirements, so that the actual amount of excess reserves and the reserve ratio have not been of particular significance. The last period of stringency was in 1933, when the Board of Governors exercised the power conferred by the Federal Reserve Act and suspended reserve requirements of Federal Reserve Banks for 30 days on March 3, 1933, and established a tax on the deficiency in reserves, the average reserve ratio of the Federal Reserve Banks having declined to 45.3%. However, by the end of March, 1933, the average daily reserve ratio of the Federal Reserve Banks had improved to 51.3%, and thereafter rapid improvement occurred. (See Reserve Ratio.)

NAME DAY

See Settlement Days.

NAPOLEON

The French gold twenty franc piece, named after Napoleon I. Rare in circulation because of hoarding and withdrawal from circulation. International currency unit of France is the franc.

(See Foreign Moneys—France.)

NARROW MARKET

A term used of the stock market to denote that the volume of business is light, trading inactive and that in many issues no sales are made at all. Because of the scarcity of, and spread between, bids and offers, relatively large changes in prices occur on a small volume of transactions.

Applied to a particular security, this term means that bids are infrequent and originate from but few sources. Thus, unlisted stocks of small companies not widely known, and even stocks listed on one of the large exchanges, may have a narrow market. For that reason they usually sell at lower prices than active stocks of equal earnings and property values, active stocks commanding higher market quotations because they can be more readily disposed of without concessions in price because of the high marketability.

NATIONAL ADVISORY COUNCIL

The National Advisory Council on International Monetary and Financial Problems was established by the Bretton Woods Agreements Act of 1945 along with the International Monetary Fund and the International Bank for Reconstruction and Development.

As stated in the June 24, 1947 report of the Council, the Act directs the Council to coordinate the policies and operations of the representatives of the United States on the International Monetary Fund and the International Bank for Reconstruction and Development, the Export-Import Bank of Washington, and all other agencies of the Government "to the extent that they make or participate in the making of foreign loans or engage in foreign financial, exchange or monetary transactions." The Council is also directed to advise and consult with the President and the United States representatives on the Fund and on the Bank on major problems arising in the administration of the Fund and the Bank; and to recommend to the President general policy directives for the guidance of the representatives of the United States on the Fund and Bank. The Act requires the Council to report from time to time to the President and Congress, but at least every six months, and in addition, to submit special and more comprehensive reports biennially (every two years).

In accordance with the Act, members of the Council are: the Secretary of the Treasury, the Secretary of State, the Secretary of Commerce, the Chairman of the Board of Governors of the Federal Reserve System, and the Chairman of the Board of Directors of the Export-Import Bank. The United States Executive Directors on the Fund and the Bank regularly attend the meeting of the Council. The Council ordinarily meets each week and holds such special meetings as may be required. The Council makes use of the existing personnel of its five member agencies. Its Staff Committee, consisting of technical representatives of member agencies and a representative of the Securities and Exchange Commission, collects and analyzes information and prepares reports and recommendations for the Council. Secretariat functions are performed by personnel of the Treasury Department.

In accordance with its statutory responsibility, the Council has coordinated a wide variety of foreign financial transactions by agencies of the United States Government, including foreign loans, financial settlement of war accounts, and credits to foreign governments or their nationals for purchase of United State Government surplus property. Its objective has been to achieve a consistent United States foreign financial policy. Problems which before the institution of the Council had been dealt with by individual agencies, in many cases with only incidental coordination, have been made the

subject of joint discussion and joint decision. The Council considers various criteria for foreign loans, among which are: the purpose of the loan, the need for the loan, the borrower's ability to repay, the allocation of available loan funds among applicant countries, the alternative sources of loan funds, and the possible effects of the use of loan proceeds on the United States domestic economy. On the basis of these criteria, the Council approves or disapproves consideration by the lending agency of a proposed loan or credit. Thus, through an over-all analysis, the Council offers its best judgment to a lending agency with regard to particular loan applications.

Similarly, through continuous consultation with United States representatives on the International Fund and Bank, and through exercise of the special powers granted to the United States in the Bank's Articles of Agreement over the Bank's operations involving United States dollars, the Council assures coordination between the operations of these international institutions and the foreign financial operations of the United States Government.

(See International Bank for Reconstruction and Development; International Monetary Fund.)

NATIONAL AGRICULTURAL CREDIT CORPORATIONS

Banking corporations authorized by the Agricultural Credits Act of March 4, 1923. These corporations could be organized and controlled by private capital under the general supervision of the Comptroller of the Currency with a minimum capital stock of $250,000. No National Agricultural Credit Corporation could commence business until it had deposited with the district Federal Reserve Bank U. S. Government securities in an aggregate face amount of at least 25% of its paid-in capital stock. Any member bank of the Federal Reserve System could upon permission of the Comptroller of the Currency invest a limit of 10% of paid-in capital stock and surplus in the stock of one or more of these corporations. Sec. 77 of the Farm Credit Act of 1933 provided that after the date of enactment (June 16, 1933), no National Agricultural Credit Corporation shall be formed under the provisions of Title II of the Agricultural Credits Act of 1923.

National agricultural credit corporations were empowered to make loans for agricultural purposes on chattels, live stock, growing crops and personal credit up to a period of nine months; except that in the case of breeding stock and dairy herds the period could be extended to three years. Against the paper thus discounted, debentures could be issued up to an amount to be prescribed by the Comptroller of the Currency. Rediscounting facilities were provided to facilitate the marketing of such debentures. (See Agricultural Credits Act, Farm Credit Administration, Federal Farm Loan Act, Intermediate Credit Banks.)

NATIONAL ASSOCIATION OF CREDIT MEN

A national organization with local bureaus created to assist its members, which consist of the larger business houses, in safeguarding credits, in promoting safe principles of credit extension, in research along credit lines (the Robert Morris Associates), and in reciprocating credit information. The first meeting of the Association was called in 1896, at Toledo, Ohio. The Association has ranked for years as one of the basically most important credit organizations in the United States. National office is located at 1 Park Avenue, New York City. The monthly magazine, "Credit and Financial Management", is published.

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

A country-wide membership association of securities brokers and dealers organized upon passage of the Maloney Act, an amendment to the Securities Exchange Act in June, 1938, which is registered with the Securities and Exchange Commission for the purpose of the Act. The following descriptive data is furnished by the association:

The National Association of Securities Dealers, Inc is the outgrowth of the Code of Fair Competition for Investment Bankers, drawn up by representatives of the securities business under provisions of the National Industrial Recovery Act (NRA). When this legislation was declared unconstitutional by the Supreme Court of the United States in 1935, the securities industry undertook to preserve and make operative, on a voluntary basis, the provisions of the Code looking toward perfection of a code of ethics and its enforcement. This was accomplished with the cooperation of the Securities and Exchange Commission which for three years supported efforts of the business to obtain the necessary legislation giving the Code idea legal substance.

In June, 1938, the legislation was adopted by Congress, popularly known as the "Maloney Act" after its sponsor, the late Senator from Connecticut. The Maloney Act was introduced as an amendment (15A) to the Securities Exchange Act. Specifically, it permits the organization of brokers and dealers into membership associations which would register with the Securities and Exchange Commission for the purposes of the Act. Upon passage of the Maloney Act, the National Association of Securities Dealers, Inc. was formed. It is the only association operating under the Act.

The Association's objectives are as follows:

To promote through cooperative effort the investment banking and securities business, to standardize its principles and practices, to promote therein high standards of commercial honor, and to encourage and promote among members observance of Federal and State securities laws;

To provide a medium through which its membership may be enabled to confer, consult, and cooperate with governmental and other agencies in the solution of problems affecting investors, the public and the investment banking and securities business;

To adopt, administer and enforce rules of fair practice and rules to prevent fraudulent and manipulative acts and practices, and in general to promote just and equitable principles of trade for the protection of investors;

To promote self-discipline among members, and to investigate and adjust grievances between the public and members and between members.

The Maloney Act was concerned with establishing the mechanism for national regulation of the Over-the-Counter securities market. Over-the-Counter dealers, since they were not nationally organized as a unit, had not been susceptible to control such that exercised by stock exchanges over their members. NASD provided the instrument for accomplishing that needed control. It became the first truly national organization of brokers and dealers embracing the whole industry without

regard for location, the kind or volume of business done, or collateral affiliations.

NASD is a non-profit, membership corporation. Any broker or dealer in securities who meets statutory requirements for membership may belong. Anyone desiring to join who is lawfully engaged in the investment banking or securities business applies to the Board of Governors for the necessary forms. The applicant is supplied with literature describing the Association and the obligations of membership. He signs the appropriate membership agreement which, among other things, contains a provision that the applicant, if admitted, will abide by the By-Laws and Rules of Fair Practice, the Association's binding code of ethics. After the appropriate District Committee has decided that the applicant is lawfully engaged in the securities business and is eligible for membership, admission is granted.

The Maloney Act provides that "The rules of a registered securities association may provide that no member thereof shall deal with any non-member broker or dealer except at the same prices, for the same commissions or fees, and on the same terms and conditions as are by such member accorded to the general public." NASD has such a rule regulating members' dealings with non-members. In view of the fact that its membership is made up of practically all brokers and dealers actively engaged in securities dealings, dealers who are not members of the Association trade with NASD members as any investor would. This means at prices which dealers sell securities to the public and not at the prices they sell to each other. There is both a wholesale and a retail market for securities.

Rules for guiding members' business practices are comprehensive and represent the extent of obligations assumed by members. Foremost rule in this connection in that "A member, in the conduct of his business, shall observe high standards of commercial honor and just and equitable principles of trade." This rule has been formally interpreted to mean, among other things, that a member cannot sell securities at prices not reasonably related to their current market price. Another rule is that "..... if a member buys for his own account from his customer, or sells for his own account to his customer, he shall buy or sell at a price which is fair, taking into consideration all relevant circumstances, including market conditions with respect to such security at the time of the transaction, the expense involved, and the fact that he is entitled to a profit; and if he acts as agent for his customer .....he shall not charge his customer more than a fair commission or service charge....." Other rules impose upon members responsibility for recommendations that may be made to customers; impress upon members the obligations of the fiduciary capacity in which they at times serve; the necessity to disclose the capacity in which they are acting for or with customers; the forbidding of transactions of a manipulative, deceptive or fraudulent character, and the improper use by the member of a customer's securities or funds, etc.

The Association is empowered to inspect members' books and records to ascertain if rules have been or are being violated. Such inspections, by direct examination or by questionnaire, are made at frequent intervals, whether or not there is reason to believe violations would be found. Thus the Association does not have to rely upon complaints from the public or other members to obtain information concerning the practices of its members. Enforcement of NASD's code of fair practice extends to registered employees of members--salesmen, traders, etc. Such personnel, under the By-Laws, become "Registered Representatives" of members agreeing, as a requirement of registration, to abide by the Rules and regulations of the Association. They are, therefore, subject to the same obligations and duties as are members and are equally bound under the disciplinary powers of the organization.

Enforcement of By-Laws and Rules of Fair Practice is a continuing function. A code of procedure is followed if disciplinary steps against a member and an employee are taken. Disciplinary action is carried out through a complaint process. Charges of violations of one or more of the rules of the Association form the basis for complaints. The Association carefully examines into such charges to establish whether reasonable grounds for them exist in fact. Only when it is certain such "reasonable grounds" do exist, is a complaint filed. Complaints can be instituted by a member of the public, a member of the Association or by the Association itself. The source becomes the "complainant." When a complaint is filed, the nature of it must be given in writing to the member involved. The charges must be set forth in reasonable detail, as well as the rule or rules allegedly violated. Answers to the complaint must be made by the "respondent" (member) within 10 days from the date of notice of the complaint or within a time limit specified by the District Business Conduct Committee which will receive evidence on the complaint. The complainant or respondent may ask for a hearing on the charges contained in the complaint. Both may appear in person and with counsel at any hearing held. A record of all hearings is kept. When all parties have been heard and the record completed, a decision is rendered. If it is found that violations of the rules occurred, the decision may impose one of several penalties. If it is found that no violations occurred, the proceedings are dismissed.

Disciplinary penalties take the form of censure, fine, suspension or expulsion from the Association. The seriousness of the violations found to have occurred decide the degree of the penalty. Expulsion is the most severe disciplinary action within the power of the Association. Whether the decision is of a disciplinary nature or is a dismissal of the proceedings, there exists right of appeal or review. The respondent or complainant may appeal to the Board of Governors of the Association for a review of the proceedings and decision. The Board has the power on its own motion, to call up any proceeding for review. The Board, in its disposition of the matter, renders a written opinion. Its opinion may affirm, remand, modify, increase or cancel the decision of the District Business Conduct Committee. The complainant or respondent has the right to appeal any finding of the Board of Governors to the Securities and Exchange Commission. The SEC may, on its own motion, call up for review any disciplinary decisions of the Board of Governors. Decision of the SEC, in turn, may be appealed to the courts by the complainant or respondent.

The NASD is organized on a national and district basis. Its organizational set-up is not unlike that of a corporation having a national office and branches throughout the country. In order to carry out NASD's objective of self-regulation on a basis of home rule, the country is divided into 14 Districts. Each District

operates under the direction of a District Committee. Members of the District Committee are elected by members located in the State or States covered by the District. Members of such committees serve for three years. District Committees shall act as the agencies of the corporation for the administration of its affairs in their respective districts. The Committees have the right to appoint subsidiary committees, such as District or Local Business Conduct Committees, Quotations Committees, Uniform Practice Committees, etc. Such committees, under the supervision of the District Committee, administer the duties associated with their particular fields. District Business Committees take evidence and render decisions in all complaints filed against members of their particular District.

The Chairmen of the 14 District Committees constitute an Advisory Council to the Board of Governors. They are entitled to attend meetings of the Board but have no voting power. The Board of Governors is made up of 21 representatives of the members. Each represents and is elected by the members of his own District. Eleven Districts elect one member each to the Board while District No. 13 (New York) elects 5; District No. 8 (Chicago), 3; and District No. 2 (California), 2. Management and administration of the affairs of the corporation are vested in the Board of Governors, which is the governing body under the By-Laws. Members of the Board serve for three years. The Board annually elects a Chairman, Vice-Chairmen, Treasurer, an Executive Director and such other officers as may be desirable. The Board defines the powers and duties of all officers as well as compensation of employees. No member of the Board and no member of any Committee of the Association receives compensation for his services. Committees are appointed by the Board to represent it in several fields of service to the membership. Such national committees include a Business Conduct Committee, Quotations Committee and Uniform Practice Committee. An Executive Committee, made up of members of the Board, is appointed annually and acts for the Board in the interim between meetings of that body. A Finance Committee, also made up of members of the Board, is responsible to the Board for administering financial affairs of the Association.

(See Over-the-Counter Market.)

NATIONAL BANK

A bank incorporated under a charter granted by the Federal government upon the authority of the National Bank Act (q. v.). Under a 1927 amendment of the Act, National bank charters now have an indeterminate duration, as against a former duration fixed at 99 years and earlier at 20 years. (See National Banking System.)

NATIONAL BANK ACT

The Act which created the National Banking System (q.v), passed February 25, 1863, but radically revised June 3, 1864. One of the important original motives for enacting the National Bank Act was to provide uniform national bank note circulation. Neither the original nor amended act provided for the abandonment of circulating notes of state banks. A further amendment, passed in February, 1865, however, imposed a tax of 10 per cent. on state bank notes, effective August 1, 1866, after state bank notes disappeared from circulation. Since 1935, National bank notes have been in process of retirement.

This Act has been amended in many particulars since its original passage, and the Federal Reserve Act (q.v.) should be regarded as a further extension of the law regulating Federally chartered institutions.

"An act to ptovide for a national currency secured by a pledge of United States bonds, and to provide for the circulation and redemption thereof, approved June 3, 1864, shall be known as the 'National bank act'."
(Amendment of June 20, 1874, section 1.)

(See National Bank System, Federal Reserve System.)

NATIONAL BANK CALL

The Comptroller of the Currency is required by law to call for a statement of condition of each National bank at least three times a year. In practice, the Comptroller has called in recent years for four statements a year, the mid-year and year-end statements as of June 30th and December 31st, for statistical purposes; and the spring and autumn calls as of irregular dates. These irregular dates serve the purpose of preventing the banks from "window dressing", i. e., temporarily placing themselves in a favorable condition in order to make a good impression. The statement of condition shall be furnished within five days after the receipt of the Comptroller's notice.

Detailed instructions for preparation of call reports, including blank reports and publishers' certificates for use in connection with publication, are furnished by the Comptroller. Call reports shall be made according to the form specified by the oath or affirmation of the president, or of the cashier, or of a vice president, or of an assistant cashier of the National bank designated by its board of directors to verify such reports in the absence of the president and cashier, taken before a notary public properly authorized and commissioned by the State in which such notary resides and the National bank is located, or any other officer having an official seal, authorized in such State to administer oaths, and attested by the signature of at least three of the directors. Each call report shall exhibit, in detail and under appropriate headings, the resources and liabilities of the National bank at the close of business on any past day specified by the Comptroller as the call date. Statement of resources and liabilities, together with acknowledgment and attestation in the same form in which it is made to the Comptroller, shall be published in the place where such National bank is established, or, if there is no newspaper in the place, then in the one published nearest thereto in the same county, at the expense of National bank. Proof of publication shall be furnished as may be required by the Comptroller.

In addition to the regular reports, the Comptroller of the Currency also has the power to call for special reports from any particular National bank whenever in his judgment these are necessary in order to obtain a full and complete knowledge of its condition.

Furthermore, the Banking Act of 1933 requires each National bank to obtain from each of its affiliates other than member banks and furnish to the Comptroller not less than three reports during each year, in such form as the Comptroller may prescribe, verified by the oath or affirmation of the president or such other officer as may be designated by the board of directors of such affiliate to verify such reports, disclosing the information specified below as of dates identical with those for which the Comptroller calls for the call statement of

condition. For the purpose of this requirement, the term "affiliate" shall include holding company affiliates.

Each such report of an affiliate shall be transmitted to the Comptroller at the same time as the corresponding call report of condition, except that the Comptroller may, in his discretion, extend such time for good cause shown.

Each such report shall contain such information as in the judgment of the Comptroller shall be necessary to disclose fully the relations between such affiliate and such bank and to enable the Comptroller to inform himself as to the effect of such relations upon the affairs of the National bank.

The reports of such affiliates shall be published by the National bank under the same conditions as govern its own condition reports. The Comptroller shall also have power to call for additional reports with respect to any such affiliate whenever in his judgment the same are necessary in order to obtain a full and complete knowledge of the conditions of the National bank with which it is affiliated. Such additional reports shall be transmitted to the Comptroller in such form as he may prescribe. Any such affiliated bank which fails to obtain and furnish any report required under this section of the Revised Statutes (Sec. 5211), shall be subject to a penalty of $100 for each day during which such failure continues.

When the reports of National banks in pursuance of the Comptroller's call are received, they are examined, the results tabulated and made available to the public. This body of banking statistics is of great value to bankers and students of banking and when compared with the results of previous periods, shows the trend of banking and credit conditions. (See Comptroller's Call.)

NATIONAL BANK CIRCULATION

See National Bank Notes.

NATIONAL BANK DEPOSITORY

See Depository.

NATIONAL BANK EXAMINER

Under Sec. 5240 of the Revised Statutes, the Comptroller of the Currency, with the approval of the Secretary of the Treasury, shall appoint examiners who shall examine every member bank at least twice in each calendar year and oftener if considered necessary, although the Board of Governors of the Federal Reserve System may authorize examination by State authorities to be accepted in the case of State member banks. However, Sec. 9 of the Federal Reserve Act exempts State member banks from examination by the Comptroller of the Currency, and Federal Reserve Banks have customarily done their own examination of State member banks, usually at the same time as that done by State authorities.

To carry out this heavy examining load for the 5,005 National banks, the Comptroller of the Currency has built up an organization of examiners headed by the Chief National Bank Examiner, and organized in each Federal Reserve District with a National Bank Examiner in charge of all other examiners assigned to the District. The examiners and assistant examiners making the examinations of National banks and affiliates, and the chief examiners, reviewing examiners and other persons whose services may be required in connection with examinations and reports, are employed by the Comptroller of the Currency with the approval of the Secretary of the Treasury. The Comptroller of the Currency also fixes the salaries of all bank examiners (formerly the Board of Governors of the Federal Reserve System had this power), and reports on such to Congress.

Employment compensation of examiners and other employees in the office of the Comptroller, which compensation includes retirement annuities, is paid from assessments on National banks and affiliates and is not subject to other laws applicable to officers or employees of the United States. The funds derived from such assessments are not Government funds or appropriated monies. Expense of examinations is assessed in proportion to assets or resources held, and in addition, all National banks exercising fiduciary powers are assessed in proportion to the amount of individual trust assets and total corporate bonds and notes for which the National bank acts as trustee.

The Comptroller of the Currency has the power and is authorized to publish the report of his examination of any National bank or affiliate which shall not, within 120 days after notification of the recommendations or suggestions of the Comptroller, based on the examination, have complied with such to his satisfaction; 90 days' notice of such publication shall also be given to the bank or affiliate.

The examiner making the examination of any National bank and affiliates, or of any other member bank, has the power to administer oaths and to examine any of the officers or agents of the bank and affiliates under oath, and make a full and detailed report of the condition of the bank to the Comptroller of the Currency. Refusal to permit examination subjects the bank to forfeiture of all the rights, privileges and franchises of the bank. Refusal of affiliates to permit examination subjects the National bank to a penalty of not over $100 for each day that such refusal continues. (See Bank Examinations, Bank Examiners.)

NATIONAL BANK NOTES

A form of currency issued by National banks under the authority of the National Bank Act (q.v.), and Federal Reserve Act, and also known as national currency.

Provision was made in 1935 for the retirement of all National bank notes, as explained in this title under "Provision for Retirement."

Prior to the Federal Reserve Act, National banks were required to purchase United States (pre-World War I) bonds, and deposit them with the United States Treasurer, as security for circulating bank notes issued. Under the Federal Reserve Act, the purchase of these bonds and the issue of circulating notes was no longer compulsory, but merely optional. If the notes were not issued, the bonds did not have to be purchased.

National bank notes were taxed according to the particular issue of eligible United States bonds purchased to secure them. In the case of 2 per cent. bonds the tax was 1/4 per cent. semi-annually; for 3 per cent. and 4 per cent. bonds the tax was 1/2 per cent. semi-annually.

Under the Federal Reserve Act, it was contemplated that the Federal Reserve banks would gradually purchase all the bonds now securing the circulating notes of the National banks, which eventually would disappear

from circulation. A large number of these bonds were acquired by the Federal Reserve banks. National banks were not required to relinquish the circulation privilege.

National bank notes were issued in denominations as follows: $5, $10, $20, $50, and $100. They were engraved with green backs and bore a brown seal on the obverse side. The charter number of the National bank of issue also was required to appear on the obverse side.

As in the case of Federal Reserve bank notes, a 5 per cent. redemption fund in Lawful Money (q.v.), was required to be maintained with the United States Treasurer by the National bank of issue for the redemption of these notes, should they be presented. This fund did not earn interest, and could not be considered as a part of the bank's legal reserve. National bank notes were redeemable in gold or lawful money at the office of the United States Treasurer, or at the bank of issue. They were not legal tender, until the enactment of the AAA Farm Relief and Inflation Act of May 12, 1933, as amended by the Joint Resolution of Congress of June 5, 1933.

Provision for Retirement.—The Secretary of the Treasury announced on March 9, 1935, that the 2 per cent.Consols of 1930 would be called called for redemption on July 1, 1935, and the 2 per cent. Panama Canal Loan bonds of 1916-36 and 1918-38 for redemption on August 1, 1935. About $600,000,000 of the Consols and about $75,000,000 of the Panama Canal bonds were then outstanding. These bonds bore the circulation privilege, i. e., eligible as security for National bank notes.

In retiring these bonds the Treasury made use of the free gold resulting from the reduction in the weight of the gold dollar. The Treasury issued to the Federal Reserve Banks an amount of gold certificates about equal to the bonds being retired. The gold certificates were issued under the authority of the Gold Reserve Act of 1934, and for every gold certificate so issued there was withdrawn from the general fund of the Treasury and held as security an amount of gold equal to the gold certificates so issued.

By a provision of the Federal Home Loan Bank Act enacted July 22, 1932, all bonds of the United States bearing an interest rate of 3 3/8 per cent. per annum, or less, were given the circulation privilege for a period of three years. This provision expired July 22, 1935. At that time banks with circulating notes outstanding under this temporary authorization were required to replace the bonds, then serving as security, with lawful money to retire their outstanding notes thus secured.

The retirement of the 2 per cent. Consols and the 2 per cent. Panama Canal bonds, and the expiration of the temporary authorization for issuance of National bank notes against other bonds accomplished a simplification of the currency system through the elimination of the National bank notes, an action contemplated at the time of the passage of the Federal Reserve Act. More then $500,000,000 of the bonds called were already on deposit with the Treasurer as security for this type of currency.

Concurrently with the retirement of the National bank notes, the Treasury was also in process of redeeming and cancelling Federal Reserve bank notes, and for the same reasons. These retired currencies were replaced mainly by Federal Reserve notes which now constitute the bulk of currency in circulation. As of May 31, 1948, there were still outstanding in circulation some $100 million of National bank notes. (See Federal Reserve Bank Notes, Federal Reserve Notes, Monetary Stock (Circulation)).

NATIONAL BANK REPORT

See National Bank Call.

NATIONAL BANK TAXES

National banks are deemed instrumentalities of the Federal Government, and hence under the doctrine of McCulloch v. Maryland, decided in 1819 by Mr. Chief Justice Marshall, that the "power to tax involves the power to destroy," States may not tax National banks discriminatorily. Congress in Sec. 5219 of the Revised Statutes has specified the extent to which the States may tax National banks, as follows:

Sec. 5219, Revised Statutes. The legislature of each State may determine and direct, subject to the provisions of this section, the manner and place of taxing all the shares of National banking associations located within its limits. The several States may (1) tax said shares, or (2) include dividends derived therefrom in the taxable income of an owner or holder thereof, or (3) tax such associations on their net income, or (4) according to or measured by their net income, provided the following conditions are complied with:

1. (a) The imposition by any State of any one of the above four forms of taxation shall be in lieu of the others except as hereinafter provided in subdivision (e) of this clause.

(b) In the case of a tax on said shares the tax imposed shall not be at a greater rate, than is assessed upon other moneyed capital in the hands of individual citizens of such State coming into competition with the business of National banking associations; provided, that bonds, notes or other evidences of indebtedness in the hands of individual citizens not employed or engaged in the banking or investment business and representing merely personal investments not made in competition with such business, shall not be deemed moneyed capital within the meaning of this section.

(c) In case of a tax on or according to or measured by the net income of an association, the taxing State may, except in the case of a tax on net income, include the entire net income received from all sources, but the rate shall not be higher than the rate assessed upon other financial corporations nor higher than the highest of the rates assessed by the taxing State upon mercantile, manufacturing and business corporations doing business within its limits;

Provided, however: That a State which imposes a tax on or according to or measured by the net income of, or a franchise or excise tax on, financial, mercantile, manufacturing and business corporations organized under its own laws or laws of other States and also imposes a tax upon the income of individuals, may include in such individual income dividends from National banking associations located within the State on condition that it also includes dividends from domestic corporations and may likewise include dividends from National banking associations located without the State on condition that it also includes dividends from foreign corporations, but at no higher rate than is imposed on dividends from such other corporations.

(d) In case the dividends derived from the said shares are taxed, the tax shall not be at a greater rate

than is assessed upon the net income from other moneyed capital.

2. The shares of any National banking association owned by non-residents of any State shall be taxed by the taxing district or by the State where the association is located and not elsewhere; and such association shall make return of such shares and pay the tax thereon as agent of such non-resident shareholders.

3. Nothing contained herein shall be construed to exempt the real property of associations from taxation in any State or in any subdivision thereof, to the same extent, according to its value, as other real property is taxed.

4. The provisions of Sec. 5219 of the Revised Statutes of the United States as in force prior to March 25, 1926 shall not prevent the legalizing, ratifying or confirming by the States of any tax heretofore paid, levied, or assessed upon the shares of National banks, or the collecting thereof, to the extent that such tax would be valid under said section. (Act of June 3, 1864, Sec. 41, 13 Stat. 111, as amended by Act of March 4, 1923, 42 Stat. 1499; Act of March 25, 1926, 44 Stat. 223, 12 U. S. Code 548.)

It will be noted that Congress has granted liberal taxation powers to the States to tax National banks, under the later liberal doctrine of inter-governmental reciprocity in taxation by the Federal Government and the States.

National banks are subject to Federal Income Taxes, and in addition, National banks are subject like other domestic corporations actively in business to the tax upon declared value of the capital stock imposed by the Internal Revenue Code. (See Taxes.)

NATIONAL BANKING ASSOCIATION

Another name for National bank. This designation is employed throughout the National Bank Act.

NATIONAL BANKING SYSTEM

A system of Federally chartered independent banks established under the authority of the National Bank Act (q. v.), originally an outgrowth of Civil War finance for the purpose of assuring the sale of Government bonds. The plan of the system, outlined in 1861 by Salmon P. Chase, then Secretary of the Treasury, became a law February 25, 1863, but has since been amended many times, chiefly through the Federal Reserve Act and amendments thereto.

The original act provided for the compulsory purchase by each bank to be organized of Government bonds up to at least one-third of the capital. Upon being deposited with the Treasurer of the United States, such bonds might be used as security for circulating notes equal in amount to 90 per cent. of their par value. Subsequently the act was amended so that National banks were no longer required to purchase these bonds unless to secure National bank notes. As the result of the retirement of bonds eligible as security, all National bank notes have been in process of redemption since 1935.

No National bank may be organized with capital of less then $100,000, except National banks with a capital of not less than $50,000 may be organized in any place with population of not over 6,000. No National bank may be organized in a city with population of over 50,000 with capital of less than $200,000, except that in the outlying districts of such a city where the State laws permit the organization of State banks with a capital of $100,000 or less, National banks may with the approval of the Comptroller of the Currency have a capital of not less than $100,000. No National bank may commence business until it shall have a paid-in surplus equal to 20% of its capital. Until surplus shall equal the amount of common capital, each National bank shall before the declaration of a dividend on its shares of common stock carry not less than 1/10th of its net profits for the preceding half year to its surplus fund.

All National banks are required to be members of the Federal Reserve bank of their district and to invest in the capital stock of such bank in the amount required by law, which is 6% of capital and surplus, of which 3% has been called.

National banks are chartered and supervised by the Comptroller of the Currency. Application for a charter, valid for 99 years by the 1922 amendment but made indeterminate by the 1927 amendment, must be filed with the Comptroller of the Currency, and contain the following information: (1) name and address of the prospective organizers (shareholders), at least five in number; (2) number of shares subscribed by each; (3) proposed title of bank, and (4) endorsement of project by three prominent officials. The chief organization papers are articles of association, organization certificate, oath of directors, signature of officers, by-laws, certificate as to payment of capital stock. In order that National banks may be readily identified as such, the law requires that the word National appear in the title, or that the initials N. B. A. (national banking association) or N. A. (national association) immediately follow the title.

The following general powers are granted to National banks: (1) general corporate powers, i.e., to sue and be sued, etc.; (2) receive demand and time deposits; (3) discount notes; (4) lend on personal and collateral security with certain limitations on the amount to a single borrower; (5) make real estate loans secured by first liens upon improved real estate including improved farm land and improved business and residential properties; (6) issue circulating notes on deposit of Government bonds having the circulation privilege; (7) hold real estate for own use or in payment of a defaulted loan; (8) make acceptances covering domestic, export, and import shipments of merchandise, or to create dollar exchange; (9) deal in foreign exchange; (10) issue letters of credit; (11) deal in gold and silver bullion but only under Treasury regulations; (12) maintain branches under prescribed limitations; (13) establish branches in foreign countries if capital and surplus is $1,000,000 or over; (14) receive special deposits through custodianship accounts or the rental of safe deposit boxes; (15) exercise fiduciary powers if permission is granted by the Board of Governors of the Federal Reserve System and requirements of the State are met; (16) borrow and rediscount from the Federal Reserve Bank; (17) invest in the stock of foreign banking corporations up to 10 per cent. of capital and surplus if $1,000,000 or over; (18) deal in United States Government securities; and (19) act as insurance agent and real estate loan brokers in towns of less than 5,000.

National banks are preeminently commercial banks, although in the larger cities, they perform a great variety of services. Recent bank legislation has tended to eliminate the chief differences between the three principal bank types, viz., National banks, state banks, and trust companies. In most states, trust companies are

permitted to engage in commercial banking. Conversely, national and state banks are allowed (with certain restrictions) to establish trust departments. The great metropolitan banks, whether organized as National banks, state banks, or as trust companies, are veritable financial department stores. They aim to furnish not only such banking facilities as they are specifically empowered by law to perform, but to supplement these facilities with many refinements not mentioned in the law.

Recent Changes.—Since 1933, and particularly since 1935, many important changes affecting National banks and/or member banks, either by direct amendment of the Federal Reserve Act or in cognate banking laws, have been made. Among the most important of these revisions are the following:

1. Member banks of the Federal Reserve System are prohibited from the payment of interest on demand deposits, effective June 16, 1933. The Board of Governors of the Federal Reserve System was also authorized to regulate interest rates of time deposits.

2. Stock of National banks, whether old or new stock, ceased on July 1, 1937 upon 6 months' published notice to be subject to double liability.

3. Commercial and investment banking business have been divorced. All banks were prohibited, beginning July 16, 1934, from owning or controlling a security affiliate (theretofore engaged in underwriting and distributing securities).

4. Member banks are prohibited from acting as agent in making loans to brokers or dealers for the account of others; and are restricted in investing in affiliate obligations.

5. Member banks are prohibited from lending their funds to any executive officer. A bank officer must also report to his board of directors concerning loans from another member bank.

6. Branch banking. National banks are accorded the same rights respecting branches as State banks. With the approval of the Comptroller of the Currency National banks may establish and operate branches within the State, if such right is permitted by State laws to State banks. National banks are entitled to the privilege of establishing branches and must have a minimum capital of $500,000, except in states with a population of less than one million and which have no cities located therein with a population exceeding 100,000, where the minimum capital shall not be less then $250,000. In states with a population of less than one-half million and having no cities with a population exceeding 50,000, the capital shall not be less than $100,000. The aggregate capital of every national bank and its branches shall at no time be less than the aggregate minimum capital, required by law for the establishment of an equal number of national banks situated in various places where such branches are located.

7. Deposit insurance was provided by which deposits in all member banks and certified non-member banks (those qualifying as solvent by state banking authorities) were insured under the Temporary Federal Deposit Insurance Fund to a maximum of $5,000 as of July 1, 1934 and under the permanent deposit insurance plan from August 31, 1935. To carry out the plan the Federal Deposit Insurance Corporation was formed. The maximum amount of the insured deposit of any depositor is $5000. To provide the means for making the permanent insurance feature effective three sources were drawn upon: the Government contributed $150,000,000; each Federal Reserve bank was required to purchase stock in the corporation to an amount equal to one-half of its surplus on January 1, 1933; and, the insured banks are assessed one-twelfth of 1 per cent. of their deposits per annum, in semi-annual assessments. By Act of August 5, 1947, provision was made for the retirement and cancellation of the capital stock of the Federal Deposit Insurance Corporation. (See Federal Deposit Insurance Corporation.)

8. Member banks are required to have a board of directors composed of not less than five and not more than twenty-five. Every director shall be bona fide owner in his own right of par value of not less than $2,500, unless the capital shall not exceed $50,000, in which case the minimum par value of stock is $1,500; or unless the capital shall not exceed $25,000, in which case the minimum par value of stock is $1,000.

9. Loans secured by stock and bond collateral may be carried by member banks only in such ratio to a bank's capital and surplus as may be prescribed by the Board of Governors of the Federal Reserve System for the Federal Reserve District. (See Federal Reserve Board Regulation "R").

(See Banking Act of 1933, Banking Act of 1935, Deposits, Double Liability, Federal Reserve System, Limitations on Bank Loans, Limitations on Investments, Limitations on Total Indebtedness of National Banks, National Bank Call, National Bank Examiner, National Bank Notes.)

NATIONAL BANKRUPTCY ACT

The power of Congress to establish uniform laws on the subject of bankruptcy throughout the United States is one of the powers expressly delegated by the U. S. Constitution to the Federal Government (Article I, Section 8).

Acting under this authority, Congress passed and repealed several bankruptcy laws prior to 1898, when the National Bankruptcy Act, basis of the present law, was enacted. This Act in turn has been amended many times since, the most important amendments having been enacted in 1933, 1934, 1935, 1938 and 1946. As now constituted, the Act consists of the following chapters:

Chapters I through VII: outline the procedure for traditional bankruptcy, involving liquidation for the benefit of creditors.

Chapter VIII: includes the former Section 77, pertaining to railroad reorganizations.

Chapter IX: pertains to municipalities; made permanent in 1946.

Chapter X: successor to the former Section 77-B, pertaining to corporate reorganizations.

Chapter XI: outlines a new simplified type of procedure, Arrangements.

Chapter XII: pertains to real property Arrangements by persons other than corporations.

Chapter XIII: provides for Wage Earners' Plans.

Chapter XIV: provides for reorganizations arising out of Maritime Commission liens.

Chapter XV: provided on a temporary basis from 1942 for a 3-year period, for simplified railroad debt adjustment plans instead of formal reorganization provided by Chapter VIII, the former Section 77. In 1948, the Mahaffie Railroad Reorganization Bill provided authority for such railroad debt adjustment plans for railroads then in receivership, as well as other rail-

roads, instead of resorting to Chapter VIII. Applications for the Mahaffie Bill's procedure, as well as details of such plans, must clear through the Interstate Commerce Commission.

(See Bankruptcy, Corporate Bankruptcy Act, Insolvency, Municipal Bankruptcy Act.)

NATIONAL BUDGET

The following is an historical record of the annual surplus or deficit and the gross debt of the United States Government by years 1791 to 1947, inclusive. As the result of deficit financing for "pump priming" recovery, the World War I absolute peak in gross debt, $26,596,701,648 on August 19, 1919, was exceeded in the peace-time year 1934, and by June 30, 1939, the gross debt had crossed the $40 billion mark. As of June 30, 1946, reflecting huge volume of World War II financing, the gross debt stood at over $269 billion, or $1,907 per capita.

NATIONAL BUDGET AND THE PUBLIC DEBT
1791-1936
Revenue Deficit or Surplus Occurring Each Year, Showing Annual Change in Total Amount of the Debt

Year Ending Dec. 31	Deficit	Surplus	Gross Debt
1789-1791	.....	$149,886	$77,227,925
1792	$1,409,572	.....	80,352,634
1793	.....	170,610	78,427,405
1794	1,558,934	.....	80,747,587
1795	1,425,275	.....	83,762,172
1796	.....	2,650,544	82,064,479
1797	.....	2,555,147	79,228,529
1798	.....	223,992	78,408,670
1799	2,119,642	.....	82,976,294
1800	.....	62,674	83,038,051
1801	.....	3,540,749	86,712,632
1802	.....	7,133,676	77,054,686
1803	.....	3,212,445	86,427,121
1804	.....	3,106,865	82,312,150
1805	.....	3,054,459	75,723,270
1806	.....	5,756,314	69,218,399
1807	.....	8,043,868	65,196,318
1808	.....	7,128,170	57,023,192
1809	2,507,275	.....	53,173,218
1810	.....	1,227,705	48,005,588
1811	.....	6,365,192	45,209,738
1812	10,479,638	.....	55,962,828
1813	17,341,442	.....	81,487,846
1814	23,539,301	.....	99,833,660
1815	16,979,115	.....	127,334,934
1816	.....	17,090,980	123,491,965
1817	.....	11,255,230	103,466,634
1818	.....	1,760,050	95,529,648
1819	.....	3,139,565	91,015,566
1820	379,957	.....	89,987,428
1821	1,237,373	.....	93,546,677
1822	.....	5,232,208	90,875,877
1823	.....	5,833,826	90,269,778
1824	945,495	.....	83,788,433
1825	.....	5,983,629	81,054,059
1826	.....	8,224,637	73,987,357
1827	.....	6,827,196	67,475,044
1828	.....	8,368,787	58,421,414
1829	.....	9,624,294	48,565,406
1830	.....	9,701,050	39,123,192
1831	.....	13,279,170	24,322,235
1832	.....	14,576,611	7,001,699
1833	.....	10,930,875	4,760,082
1834	.....	3,164,367	37,733
1835	.....	17,857,274	37,513
1836	.....	19,958,632	336,957
1837	12,289,343	.....	3,308,124
1838	7,562,497	.....	10,434,221
1839	.....	4,583,621	3,573,344
1840	4,837,464	.....	5,250,876
1841	9,705,713	.....	13,594,480
1842	5,229,563	.....	20,601,226
1843	3,555,373	.....	32,742,932
1844	.....	6,983,803	23,461,652
1845	.....	7,032,698	15,925,303
1846	.....	1,933,042	15,550,203
1847	30,785,643	.....	38,826,535
1848	9,641,447	.....	47,044,862
1849	13,843,514	.....	63,061,859
1850	.....	4,059,947	63,452,774
1851	.....	4,850,287	68,304,796
1852	.....	5,651,897	66,199,342
1853	.....	13,402,943	59,804,661
1854	.....	15,755,479	42,243,765
1855	.....	5,607,907	35,588,499
1856	.....	4,485,673	31,974,081
1857	.....	1,169,605	28,701,375
1858	27,529,904	.....	44,913,424
1859	15,584,512	.....	58,498,381
1860	7,065,990	.....	64,843,831
1861	25,036,714	.....	90,582,417
1862	422,774,363	.....	524,177,955
1863	602,043,434	.....	1,119,773,681
1864	600,695,871	.....	1,815,830,814
1865	963,840,619	.....	2,677.929,012
1866	.....	37,223,203	2,755,763,929
1867	.....	133,091,335	2,650,168,223
1868	.....	28,297,798	2,583,446,456
1869	.....	48,078,469	2,545,110,590
1870	.....	101,601,916	2,436,453,269
1871	.....	91,146,757	2,322,052,141
1872	.....	96,588,905	2,209,990,838
1873	.....	43,392,960	2,151,210,345
1874	.....	2,344,883	2,159,932,730
1875	.....	13,376,658	2,156,276,649
1876	.....	28,994,780	2,130,845,778
1877	.....	40,071,944	2,107,759,903
1878	.....	20,799,552	2,159,418,315
1879	.....	6,879,301	2,298,912,643
1880	.....	65,883,653	2,090,908,872
1881	.....	100,069,405	2,019,285,728
1882	.....	145,543,810	1,856,915,644
1883	.....	132,879,444	1,721,958,918
1884	.....	104,393,626	1,625,307,444
1885	.....	63,463,771	1,578,551,169
1886	.....	93,956,587	1,555,659,550
1887	.....	103,471,096	1,465,485,294
1888	.....	111,341,274	1,384,631,656
1889	.....	87,761,081	1,249,470,511
1890	.....	85,040,273	1,122,396,584
1891	.....	26,838,543	1,005,806,561
1892	.....	9,914,453	968,218,841
1893	.....	2,341,676	961,431,766
1894	61,169,965	.....	1,016,897,817
1895	31,465,879	.....	1,096,913,120
1896	14,036,999	.....	1,222,729,350
1897	18,052,454	.....	1,226,793,713

Year Ending Dec. 31	Deficit	Surplus	Gross Debt
1898	38,047,248	.....	1,232,743,063
1899	89,111,558	.....	1,436,700,704
1900	.....	46,380,005	1,263,416,913
1901	.....	63,068,418	1,221,572,245
1902	.....	77,243,984	1,178,031,357
1903	.....	44,874,595	1,159,405,913
1904	42,572,815	.....	1,136,259,016
1905	23,004,229	.....	1,132,357,095
1906	.....	24,782,168	1,142,522,970
1907	.....	86,731,544	1,147,178,193
1908	57,334,413	.....	1,177,690,403
1909	89,423,387	.....	1,148,315,372
1910	18,105,350	.....	1,146,939,969
1911	.....	10,631,399	1,153,984,937
1912	.....	2,727,870	1,193,838,505
1913	400,733	.....	1,193,047,745
1914	408,264	.....	1,188,235,400
1915	62,675,975	.....	1,191,264,068
1916	.....	48,478,346	1,225,145,568
1917	853,356,856	.....	2,975,618,585
1918	9,033,253,840	.....	12,243,628,719
1919	13,370,637,569	.....	25,482,034,419
1920	.....	212,475,198	24,299,321,467
1921	.....	86,723,771	23,977,450,553
1922	.....	313,801,651	22,963,381,708
1923	.....	309,657,461	22,349,707,365
1924	.....	505,366,987	21,250,812,989
1925	.....	250,505,239	20,516,193,888
1926	.....	377,767,816	19,643,216,315
1927	.....	635,809,921	18,511,906,932
1928	.....	398,828,281	17,604,293,201
1929	.....	184,787,035	16,931,088,484
1930	.....	183,789,215	16,185,309,831
1931	901,959,080	.....	16,801,281,492
1932	3,147,919,458	.....	19,487,002,444
1933	3,063,256,885	.....	22,538,672,560
1934	3,989,496,036	.....	27,053,141,414
1935	3,364,610,350	.....	28,700,892,625
1936	4,827,789,380	.....	33,778,543,494
1937	2,881,391,914	.....	36,424,613,732
1938	1,242,081,548	.....	37,164,740,315
1939	3,920,404,490	.....	40,439,532,411
1940	4,047,203,261	.....	42,967,531,038
1941	6,223,533,094	.....	48,961,443,536
1942	21,584,965,032	.....	72,422,445,116
1943	57,423,893,765	.....	136,696,090,330
1944	51,423,394,191	.....	201,003,387,221
1945	53,940,918,126	.....	258,682,187,410
1946	20,676,174,609	.....	269,422,099,173
1947	753,787,660	.....	258,286,383,109

Source--Annual Report of Secretary of the Treasury.

NATIONAL BUREAU OF STANDARDS

One of the bureaus of the United States Department of Commerce. Its function is to study and conduct researches, in collaboration with other agencies of the Federal Government, states, municipalities, technical societies and trade associations, for the purpose of increasing efficiency in production and consumption by encouraging and facilitating the use of its standards and specifications. The work of the Bureau is extremely comprehensive and is concerned with standardizations in weights and measures, agricultural methods, fisheries, testing products in laboratories, heat and temperature measurements, food values, radio communications, and many other matters. The results, accomplishments, findings, and program for future study are contained in the annual publication of the Bureau, known as "Standards Yearbook," obtainable at a small charge from the Superintendent of Documents. The Standards Yearbook has proved to be of much value to manufacturers, industrial experts, engineers, and purchasing agents.

NATIONAL CURRENCY

Another name given to National Bank Notes (q. v.), and Federal Reserve Bank Notes (q. v.).

NATIONAL DEBT

In its restricted sense, this term refers to the aggregate of bonds, certificates of indebtedness, and other direct obligations of the United States Government. For total internal debts of the United States, see Internal Debts.

Total Government debt is customarily given gross, without deduction for balance in the general fund of the Treasury or other offsets. Government guaranteed debt is usually shown separately. In addition to interest-bearing gross debt, there is a small amount of non-interest bearing debt outstanding, consisting largely of unredeemed matured debt on which interest has ceased, and currency obligations of the Treasury, consisting of U. S. Notes, Federal Reserve Bank Notes and National Bank Notes, the latter two types of currency being in process of retirement. Government direct obligations are further divided into marketable public issues, non-marketable public issues, and special issues to Government trust funds and agencies.

As of June 30, 1948, total gross direct debt was $252,292 million, consisting of the following types: total interest-bearing direct debt, $250,063 million; marketable public issues, $160,346 million; non-marketable public issues, $59,506 million; special issues, $30,211 million; $2,229 million in non-interest-bearing debt; and $69 million in fully guaranteed interest-bearing debt.

Absolute peak of World War I gross debt was reached on August 31, 1919, totaling $26,596,648 and averaging an interest rate on interest-bearing debt of 4.196%. Lowest point of gross debt in the subsequent post-World War I period was reached on December 31, 1930, totaling $16,026,087,087 and averaging interest rate of 3.75%. Absolute peak for World War II gross debt was reached on February 28, 1946, totaling $277,912,315,345, and averaging an interest rate of 1.972%. On a per capita basis, these fluctuations in gross debt have been as follows: August 31, 1919, $250.18; December 31, 1930, $129.66; February 28, 1946, $1,979.61.

The table on page 432 shows the various classes of gross debt, as well as fully guaranteed interest-bearing debt, as of June 30th each year from 1916 to 1948.

(See Internal Debts, National Budget, National Wealth, Public Debt.)

NATIONAL DEFENSE ADVISORY COMMISSION

This was the prototype of defense agencies created by the Roosevelt Administration for coordinating and advising on defense mobilization. In creating the Commission, officially entitled the Advisory Commission to the Council of National Defense, the President acted under Statute of Congress enacted in 1916, which directed the appointment of a Council of National Defense,

U. S. Government Debt
(in millions)

June 30	Gross Direct Debt	Per Capita	Market-able Public Issues	Non-Market-able Public Issues	Special Issues	Total Interest Bearing Debt	Non-Interest Bearing Debt	Fully Guaranteed Debt
1916	$1,225	$12.02	$972	....	....	$972	$253	....
1917	2,976	28.77	2,713	....	....	2,713	263	....
1918	12,244	117.11	11,636	$350	....	11,986	258	....
1919	25,482	242.54	24,280	954	....	25,234	247	....
1920	24,298	228.23	23,234	827	....	24,061	237	....
1921	23,976	220.91	23,043	694	....	23,737	239	....
1922	22,964	208.65	22,032	679	....	22,711	253	....
1923	22,350	199.64	21,670	337	....	22,008	342	....
1924	21,251	186.23	20,568	413	....	20,982	269	....
1925	20,516	177.12	19,730	386	$95	20,211	305	....
1926	19,643	167.32	18,820	360	204	19,384	259	....
1927	18,510	155.51	17,583	309	359	18,251	260	....
1928	17,604	146.09	16,711	144	462	17,318	286	....
1929	16,931	139.04	16,019	13	607	16,639	293	....
1930	16,185	131.51	15,158	....	764	15,922	264	....
1931	16,801	135.45	16,229	....	291	16,520	282	....
1932	19,487	156.10	18,852	....	309	19,161	326	....
1933	22,539	179.48	21,834	....	323	22,158	381	....
1934	27,053	214.07	26,084	....	396	26,480	572	$681
1935	28,701	225.55	26,950	62	633	27,645	1,056	4,123
1936	33,779	263.79	31,102	1,261	626	32,989	789	4,718
1937	36,425	282.75	33,054	1,188	1,558	35,800	625	4,665
1938	37,165	286.27	32,344	1,556	2,676	36,576	588	4,853
1939	40,440	308.98	33,965	2,151	3,770	39,886	553	5,450
1940	42,968	325.62	34,436	3,166	4,775	42,376	591	5,498
1941	48,961	367.97	37,713	4,555	6,120	48,387	574	6,360
1942	72,422	541.39	50,573	13,510	7,885	71,968	454	4,548
1943	136,696	1,020.38	95,310	29,200	10,871	135,380	1,316	4,092
1944	201,003	1,455.67	140,401	44,855	14,287	199,543	1,460	1,516
1945	258,682	1,852.74	181,319	56,226	18,812	256,357	2,326	409
1946	269,422	1,907.70	189,606	56,173	22,332	268,111	1,311	467
1947	258,286	1,793.87	168,702	59,045	27,366	255,113	3,173	83
1948	252,292	u1,752.27	160,346	59,506	30,211	250,063	2,229	69

Sources--Board of Governors of the Federal Reserve System; Secretary of the Treasury Annual Report.
u--Unofficial calculated figure.

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to consist of the Secretary of War, Secretary of Navy, Secretary of the Interior, Secretary of Agriculture, Secretary of Commerce, and Secretary of Labor. In addition, the Statute further directed the Commission to nominate and the President to appoint an Advisory Commission to consist of not more than 7 members, each of whom shall have special knowledge of some industry, public utility, or the development of some natural resource, or otherwise qualified in the opinion of the Council.

The Commission was appointed May 28, 1940 to coordinate and advise in the organization of the nation's resources of men and materials for defense purposes through the following divisions:

Industrial Materials Division: Edward R. Stettinius, former chairman of the U. S. Steel Corporation, chief.

Production Division: William S. Knudsen, former president of the General Motors Corporation, chief.

Transportation Division: Ralph Budd, president of the Chicago, Burlington & Quincy, chief.

Labor Division: Sidney Hillman, president of the Amalgamted Clothing Workers Union, chief.

Agriculture Division: Chester Davis, member of the Board of Governors of the Federal Reserve System, chief.

Division of Price Stabilization: Leon Henderson, member of the Securities and Exchange Commission, chief.

Division of Consumer Protection: Miss Harriett Elliott, Dean of Women, University of North Carolina, chief.

Defense Housing Coordinator: Charles F. Palmer,

president of the National Association of Housing Officials, chief.

Office of the Coordinator of National Defense Purchases: created by Executive Order in June, 1940, to maintain close contact with defense procurement agencies and the Commission.

Bureau of Research and Statistics: Stacy May, of the Rockefeller Foundation, chief.

Division of State and Local Cooperation: Frank Bane, Executive Director of the Council of State Governments, chief.

Administrator of Export Control: Lt. Col. Russell L. Maxwell, chief (coordinating with the State Department).

Coordinator of Commercial and Cultural Relations Between the American Republics: Nelson Rockefeller.

The following year, 1941, the administration of National Defense was reorganized and grouped under some 35 separate divisions, agencies and offices, and the Council of National Defense became inoperative as its functions were absorbed by these new executive agencies.

(See Assignment of Claims Act.)

NATIONAL FARM LOAN ASSOCIATION

Local cooperative associations of farmers organized under the terms of the Federal Farm Loan Act, for the purpose of borrowing money on farm mortgages through the Federal Land Banks. An association may be formed by ten or more farmers who must be borrowers from a Federal Lank Bank and who must independently subscribe for shares of stock in the association to an amount equal to 5 per cent. of the face of the desired loan. Members are, therefore, stockholder-borrowers who are required to pay, at the time the loan is granted, $5 in cash for one share of the par value of $5 for each $100 borrowed. Loans may not be made to any one borrower in an amount exceeding $50,000, and loans to any one borrower may not exceed $25,000 unless approved by the Land Bank Commissioner.

A local association is administered by a board of not less than five directors chosen from among the members. The board elects a President, Vice-President, Secretary-Treasurer, and a Loan Committee of three members. An association is required to indorse the mortgage notes of its members which in turn are converted into cash at the district Federal Land bank for the face amount of the loan, which may range in amount from $100 to $50,000 but not in excess of 65% of the appraised normal value of the farm offered as mortgage security. Appraisals are made by a Land Bank appraiser, a public official appointed by the Farm Credit Administration.

An association requires no building and may be conducted with a minimum of expense. The principal routine duties fall upon the Secretary-Treasurer who receives applications for membership and loans, collects interest and principal payments, and keeps the records of the association. Each association is required to subscribe for shares of the Federal Land bank of its district (par value $5), to an amount equal to 5 per cent. of the aggregate sum desired on mortgage loans. Associations also aid in the sale of Federal Farm Loan bonds.

(See Farm Credit Administration, Federal Farm Loan Act, Federal Farm Loan System, Federal Land Bank.)

NATIONAL HOUSING ACT

An act, approved June 27, 1934, which, among other things:

(1) Provided a comprehensive program of home financing and mortgage insurance, and that financial institutions which make loans for the purpose of financing alterations, repairs and improvements upon real property are to be insured up to 20 per cent. of the total of such loans.

(2) Established a program of mutual mortgage insurance under which first mortgages on residential property which are amortized may be insured up to $16,000 in any case, and up to 80 per cent. of appraised value of the property.

(3) Authorized the establishment of national mortgage associations each with a capital of not less than $5,000,000 with authority to purchase and sell first mortgages and borrow money through the issue of securities.

(4) Created a corporation under the supervision of the Federal Home Loan Bank Board to insure accounts of members of the Federal Home Loan Bank system, except mutual savings banks, and which is required to insure accounts of Federal savings and loan associations established under authority of the Home Owners Loan Act of 1933.

(5) Provided for the appointment of a national housing administrator and to handle the housing renovation and modernization, the mutual mortgage insurance and also the national mortgage association features of the act.

(6) Limited to an aggregate of $200,000,000 the total liability to be incurred by the administrator for the insurance of financial institutions; and

(7) Created a Savings and Loan Insurance Corporation with a capital of $100,000,000 to insure the accounts of Federal savings and loan associations.

Operating sections of the Act from the housing standpoint are as follows:

Title I - Modernization loans.--Government insurance is provided for lending institutions on loans made to finance property improvement, alterations and repairs. Most of these loans are limited to a maximum amount of $2,500 and maximum maturity of 3 years, repayable in monthly instalments. Amendment to the Act in 1942 broadened such loans to $5,000 and maturities to over 7 years for the purpose of financing additional living quarters for War workers and veterans through conversion of existing structures in designated areas. The Act placed a limit of not over 5% discount per year on amounts under $2,500 and 4% on amounts over $2,500. Loans under Title I have been fairly popular with institutions, and to June 30, 1947, a total of $2.7 billion in such loans on 6,691,000 properties had been insured.

Title II - Insured mortgage loans.--This Title provides for insurance of mortgage loans up to $16,000 on 1- to 4-family houses made by approved private lending institutions, amortized monthly (1/12th of annual net taxes, interest and other charges) over terms as long as 20 years. Second mortgages or other liens were not permitted. Loans under this Title may cover either new or existing housing, but generally may not exceed 80% of the valuation of the property. However, where loans are for not over $5,400, and cover new single family, owner-occupied homes built under FHA inspection, the mortgage may be for 90% of the appraised value, with an amortization period of up to 25 years. On new owner-occupied homes valued at not over $10,000, the ratio of loan extension to appraised value could be 90% of the first $6,000 and 80% of the remainder of the valuation, up to a maximum mortgage of $8,600, with a maximum term of 20 years. Effective

interest rate is now 4 1/2%, plus the 1/2% insurance premium based on outstanding balances. Loans under Title II have been most popular with lending institutions, and to June 30, 1947, the FHA had insured a total of $5,655,952,000 in mortgage loans on 1,330,000 properties.

The insurance contract provides that upon default for 60 days in monthly payments, the mortgagee shall report this to the FHA, and at the end of a total period of 12 months' default, the mortgagee shall take necessary steps to deliver title to the FHA, although he has the right to institute such steps after one month of nonpayment. Upon receiving satisfactory title and finding the property in satisfactory condition, the FHA would issue Mutual Insurance Fund 2 3/4% Debentures, guaranteed as to principal and interest by the U. S. Government, with a maturity of 3 years from July 1 of the year of maturity of the mortgage, for the outstanding value of the mortgage plus interest from the date of foreclosure proceedings. In addition, a Certificate of Claim would be issued, payable in whole or in part when and if the FHA should sell the property for a sum sufficient to pay the Debentures plus other expenses and receives cash for such payment.

Of the 1,330,000 dwellings on which Title II loans have been insured, the FHA has taken over and resold 4,067 properties, to June 30, 1947.

Title VI - Housing for war workers and veterans.--This Title was added to the Act by the 1941 amendment, specifically to assist in providing housing for war workers. Insurance activity for war worker housing ended in September, 1945. Mortgages insured were limited to a maximum of $5,400 on a single family house; $7,500 on a 2-family house; $9,500 on a 3-family house; and $12,000 on a 4-family house, and could be for up to 90% of the FHA valuation. Total insurance authorization for war worker housing was $1.8 billion.

Title VI was revived for veterans and hardship cases in May, 1946 by the Veterans Emergency Housing Act, with substantially the same provisions and an additional authorization of $2 billion. The former mortgage limitation of $5,400 on a single family house could be raised to $8,100 maximum by the Federal Housing Commissioner in areas where construction costs had risen, as could the following other types: 2-family house, from $7,500 to $12,500; 3-family house, from $9,500 to $15,750; and 4-family house, from $12,000 to $18,000. Mortgages could be for up to 90% of the necessary current cost within these limitations.

Large scale housing projects could also be financed under this revived Title for up to 90% of the necessary current cost, with a maximum of $5,000,000 or $1,500 per room attributable to dwelling use (which could be increased to $1,800 per room by the Commissioner in higher cost areas).

Title VI authorization was further increased in June, 1947 by $200 million, with an additional $200 million also available upon approval of the President. This amendment also provided for insured loans to prefabricated housing manufacturers and for insurance of mortgages arising out of the sale of Government owned permanent homes and housing projects meeting with FHA requirements.

To June 30, 1947, the FHA reports that a total of $1,969,930,000 in insured mortgage loans on 459,000 dwelling units were insured under Title VI.

Repayments, mostly through regular monthly amortization, have totaled to June 30, 1947 by the various classes of loans as follows: Title I, $2,198 million; Title II, $2,675,781,000; and Title VI, $539,318,000.

The grand total of loans extended to June 30, 1947 since the FHA's inception in June, 1934 was reported at $10,346,879,706 for all Titles, provided for a total of 8,480,000 families.

NATIONAL INCOME

A number of studies attempting to measure the income of the nation as a whole have been made on bases involving various statistical factors. Practically all of these estimates are based upon official statistics as source material, and chiefly statistics compiled by the Bureau of the Census of the Commerce Department and the Internal Revenue Bureau of the Treasury Department. Among the best-known studies on national income are those of the Commerce Department, National Bureau of Economic Research, collaborated reports of the aforementioned, National Industrial Conference Board, Federal Trade Commission, and the Brookings Institution.

Any estimate of total national income in a given year is hardly useful in itself, but becomes significant when related to a series of estimates over a period of years. Even a series of figures, however, may be misleading unless adjusted to changes in the price level, since a rising national income corresponding proportionally with a rising price level signifies no actual gain in consuming power; if population gains, it signifies an actual decline in per capita consumption of real goods and services. Hence, there is need for adjusting estimates of national income to some standard price level, and to a per capita basis. Still more important are the sources and distribution of the national income.

Estimates by the National Industrial Conference Board of realized national income, total and per capita in current dollars and constant dollars of 1926 purchasing power, for the years 1799 to 1938, are given in the following Table I.:

Table I.

Year	Total National Income (millions)	National Income *Adjusted by 1926 General Price Level (millions)	Per Capita Income (dollars)	Per Capita Income Adjusted* by 1926 General Price Level (dollars)
1799	$677	$1,092	$131	$211
1809	915	1,423	130	202
1819	876	1,576	93	168
1829	975	2,083	78	166
1839	1,631	3,282	98	197
1849	2,420	5,450	107	241
1859	4,311	9,212	140	300
1869	6,827	8,843	180	233
1879	7,227	15,442	147	315
1889	10,701	23,780	173	385
1899	15,364	34,142	205	456
1900	16,158	34,974	212	459
1901	17,170	36,224	221	466
1902	18,444	37,564	232	473
1903	19,595	38,956	242	481
1904	20,090	39,940	243	484
1905	21,428	41,608	254	494
1906	23,165	43,543	270	507
1907	24,403	44,858	279	513

Year	Total National Income (millions)	National Income *Adjusted by 1926 General Price Level (millions)	Per Capita Income (dollars)	Per Capita Income Adjusted* by 1926 General Price Level (dollars)
1908	23,458	44,094	263	495
1909	26,456	48,102	292	530
1910	28,166	49,675	305	538
1911	28,104	50,096	300	535
1912	29,422	50,294	309	529
1913	31,450	53,761	326	557
1914	31,213	53,356	319	545
1915	32,533	54,042	327	544
1916	38,739	56,636	384	562
1917	46,376	57,043	454	558
1918	56,956	62,044	550	599
1919	62,945	62,199	599	592
1920	68,434	60,615	642	569
1921	56,689	59,485	524	550
1922	57,171	61,873	520	563
1923	65,662	68,044	589	610
1924	67,003	69,004	592	610
1925	70,051	70,474	610	614
1926	73,523	73,523	631	631
1927	73,966	73,966	626	626
1928	75,904	73,765	633	615
1929	79,498	75,929	654	625
1930	72,398	73,725	588	599
1931	60,203	68,647	485	553
1932	46,708	60,503	374	484
1933	44,713	59,301	356	472
1934	51,560	64,370	407	508
1935	56,254	66,337	441	520
1936	65,246	72,415	508	564
1937	69,419	73,693	537	570
1938	62,286	69,130	478	531

*Adjusted by Price Index, Snyder Index, Federal Reserve Bank of New York and National Industrial Conference Board.

Taking average conditions for the ten-year period ended 1928 in the principal organized industries, wages and salaries were about 70 per cent. of the total income, while capital received 30 per cent. as rent, interest, and profits. The sources of production of the national income, taking a general average for the ten years were: agricultural 17 per cent.; manufacturing 30 per cent.; transportation 9 per cent.; government 5 per cent; mining 3 per cent.; banking 1 per cent.; miscellaneous (including professions, retailers, jobbers, merchants, domestics, etc.) 33 per cent.

Analysis from Income Taxes.—Personal income tax returns furnish a rough guide of incomes and their distribution in the United States. These are available from the reports of the Bureau of Internal Revenue and the Bureau of Census. Each year the Treasury Department analyzes income tax returns and compiles data from which considerable information is obtainable.

For example, Federal personal income tax returns as analyzed in the aggregate for the year 1929 (an extremely prosperous one), reveals distribution of incomes as shown in Table II.

As the result of instituting the pay-as-you-go Federal income tax system by the Current Tax Payment Act of 1943, income tax collections now reach a much larger number of taxpayers. For the year 1944, for example, a total of 42,354,000 individuals filed taxable returns. Some 18,800,000 individuals or 45% of taxpayers, had adjusted gross income under $2,000; 30,000,000 individuals or 71%, had adjusted gross income under $3,000; and 40,000,000 taxpayers or 94%, had adjusted gross income under $5,000. On the other hand, some 8,200 taxpayers or only .02% of total taxpayers, had adjusted gross income of $100,000 or over; only 283 taxpayers had adjusted gross income of $500,000 or over; and 62 taxpayers had adjusted gross income of $1,000,000 or over.

By contrast, in 1935 only 4,500,000 individuals filed, or only 10% of total population gainfully employed. Yet the distribution of incomes is strikingly similar to that of 1944: some 2,000,000 taxpayers or 45% of those reporting, had incomes under $2,000; 3,000,000 or 70%, incomes of under $3,000; and 4,000,000 taxpayers or 90%, had incomes of under $5,000. Some 2,600 taxpayers had incomes of $100,000 or over; 150 had incomes of $500,000 or over; and 41 had incomes of $1,000,000 or over. In 1944, the 40,000,000 taxpayers reporting adjusted gross income under $5,000 accounted for a total of 77% of total adjusted gross incomes reported, and the 8,200 taxpayers reporting adjusted gross incomes of $100,000 or over accounted for 1.3% of total adjusted gross incomes reported. This compared with the 1935 distribution as follows: The 4,000,000 taxpayers reporting incomes under $5,000 accounted for 60% of total incomes reported; and the 2,600 taxpayers reporting incomes of $100,000 or over accounted for 3.8% of total incomes reported.

Formerly a relatively small percentage of those gainfully employed paid Federal income taxes, and a still smaller percentage of the total population. In 1933, out of 46,683,961 persons of 18 years of age or over able to work (1930 census) only 1,731,116 had taxable incomes. These persons reported total taxable income of $10,845,653,532, and paid $372,967,761 in taxes. Thus, only 3.7 per cent. of employables paid an income tax, and the average net income of those who paid taxes was $6,276.70. Income taxes were paid by only 3.4 per cent. of the entire population.

Table II.

Analysis of Federal Income Tax Returns for 1929

Distribution	Amount	%
Wages and salaries	$10,740,029,412	37.34
Business	3,295,626,192	11.46
Partnership	1,816,841,499	6.32
Profit from sale of real estate, stocks, bonds, etc., other than capital net gain from sale of assets held more than 2 years	2,239,763,714	7.79
Capital net gain from sale of assets held more than two years	2,316,193,430	8.05
Rents and royalties	1,167,611,945	4.06
Interest and other income	2,127,877,272	7.40
Interest on government obligations not wholly exempt from tax	40,040,698	.13
Dividends on stock of domestic corporations	4,525,716,378	15.74
Fiduciary	493,264,890	1.71
Total income	$28,762,965,430	100.00
General deductions	4,243,668,453	14.75
Net income	$24,519,296,977	85.25

The average net income per return for 1922 was $3,143.46, the average amount of tax was $126.86 and the average tax rate was 4.04 per cent. The proportion of the population filing returns according to the population of the United States of July 1, 1922, as estimated by the Bureau of Census was 6.20 per cent. The per capita net income reported was $194.72 and the per capita tax was $7.86. For the preceding year, based on the census of 1920, the proportion of population filing returns was 6.28 per cent., the per capita income reported was $184.65 and the per capita tax was $6.79.

Table III shows the total number of income-tax returns for the calendar year 1914 (fiscal year 1915), classified according to the amount of net income stated in the returns. It must be noted that these figures represent merely the required returns of income. They are subject to error through concealment or misstatement; and in any event they do not include incomes under $3,000 per year.

Table III.

Classification of incomes	Number of Returns
$ 3,000 to 4,000	82,754
4,000 to 5,000	66,525
5,000 to 10,000	127,448
10,000 to 15,000	34,141
15,000 to 20,000	15,790
20,000 to 25,000	8,672
25,000 to 30,000	5,483
30,000 to 40,000	6,008
40,000 to 50,000	3,185
50,000 to 75,000	3,660
75,000 to 100,000	1,501
100,000 to 150,000	1,189
150,000 to 200,000	406
200,000 to 250,000	233
250,000 to 300,000	130
300,000 to 400,000	147
400,000 to 500,000	69
500,000 to 1,000,000	114
1,000,000 and over	60
	357,513

Table IV, and Tables V and VI, computing national income from 1900 to 1929, are taken from studies by the Brookings Institution:

Table IV.
Total National Income*

	In Current Dollars		In 1913 Dollars	
	Total (in millions)	Per Capita	Total (in millions)	Per Capita
1900	19,100	251	24,331	320
1909	30,900	341	32,424	358
1910	32,580	353	33,381	362
1911	32,547	347	33,554	358
1912	35,223	370	35,905	377
1913	37,122	382	37,122	382
1914	36,232	366	35,944	363
1915	39,322	391	39,049	388
1916	48,227	473	44,204	433
1917	56,061	542	43,593	421
1918	62,394	597	41,130	393
1919	70,281	668	40,001	380
1920	75,397	707	38,079	357
1921	60,685	558	35,845	330
1922	67,601	613	42,704	387
1923	76,770	685	48,041	429
1924	78,600	688	49,064	429
1925	84,768	731	51,312	443
1926	86,395	735	51,983	442
1927	86,333	725	52,008	437
1928	89,335	741	55,800	463
1929	91,988	755	57,673	473

*Exclusive of profit from sale of property.
Source: "American's Capacity to consumer."

National Income Since 1929.--The U. S. Department of Commerce in a Supplement to the July, 1947 issue of Survey of Current Business published a complete revision of the Department of Commerce statistical series on gross national product, national income, and personal income (formerly known as income payments to individuals). The Federal Reserve Bulletin reports these changes as follows:

Gross national product is designed to be the most comprehensive measure of the output of the economy. It takes into account the value of all final products currently produced, including both capital goods and commodities available for current consumption, together with changes in inventories of all types of goods. These goods and services are valued as nearly as possible at market prices, and no deduction from the total is made to allow for the value of fixed capital used up in the process of production, viz., depreciation charges are ignored. The value of materials incorporated in final products is deducted, however, in order to avoid duplication. Furthermore, the series is confined strictly to goods and services currently produced. It does not attempt to measure all transactions or changes in value. Hence, transfers of real estate or of other existing assets are not taken into account. Likewise, capital gains and losses are excluded, as well as payments such as unemployment compensation or pensions, which are not related to current production.

National income is a summation of the amounts earned by labor and property owners on account of current production, after allowance for depreciation. Like the gross national product, it also leaves out capital gains, including profits or losses arising from changes in inventory values due to price fluctuations. It also excludes indirect business taxes (excises, etc.) since they are not a reward to any of the factors of production, although they are included in market prices and hence in the gross national product. The national income series, therefore, is more suitable than the gross national product for studies of income distribution or for the analysis of long-range problems when account must be taken of the maintenance and replacement of fixed capital.

Personal income figures are especially useful for short-range economic analysis. They include only income actually received by persons (including non-profit institutions and unincorporated enterprises as well as individuals) in cash or in kind. Thus, they exclude the retained earnings of corporations, which are not available for expenditure by persons. They include, on the other hand, social security benefits and other transfer payments, which are not usually considered part of income but which are available for private expenditure. Personal income minus personal taxes and related lia-

TABLE V.

RELATIVE SHARES OF MAJOR CLAIMANTS IN INCOME FROM CURRENT PRODUCTION OF GOODS AND SERVICES

(As percentages of total income produced)

Year	Employees			Industrial Enterprises					Total Value of Product (in millions of dollars)
	Total	Wages	Salaries	Total	Agri-cultural	Non-Agri-cultural	Investors & Property Holders	Business Savings	
1900	53.2	.....	.....	.....	.....	.....	.....	.....	17,035
1909	54.4	38.0	15.6	26.2	12.6	13.6	14.7	4.7	27,726
1910	55.8	38.8	16.0	24.9	12.6	12.3	15.4	3.9	29,175
1911	56.8	39.0	16.9	24.8	10.9	13.9	16.0	2.4	29,066
1912	55.6	38.3	16.5	25.2	11.6	13.6	15.3	3.9	31,604
1913	56.5	39.1	16.5	23.8	10.3	13.5	15.5	4.2	33,309
1914	57.4	38.4	18.0	25.0	10.5	14.5	15.8	1.8	32,254
1915	55.0	37.3	16.8	24.1	10.7	13.4	14.9	6.0	35,200
1916	51.3	35.7	14.5	23.9	10.8	13.1	13.6	11.2	43,823
1917	50.3	34.6	14.9	27.1	13.5	13.6	13.4	9.2	51,307
1918	56.9	36.0	19.8	27.4	15.3	12.1	12.2	3.5	56,770
1919	55.4	36.1	18.1	25.5	14.3	11.2	12.3	6.8	63,880
1920	62.8	43.9	17.4	22.8	11.6	11.2	12.3	2.1	67,325
1921	68.7	44.3	22.5	21.3	7.6	13.7	15.1	5.1	52,745
1922	63.3	41.2	20.2	20.3	7.8	12.5	13.6	2.8	59,602
1923	62.7	42.0	19.2	20.7	7.8	12.9	13.0	3.6	68,381
1924	63.6	41.5	20.3	21.1	8.1	13.0	13.2	2.1	69,924
1925	61.7	40.5	19.8	21.0	8.4	12.6	13.5	3.8	75,918
1926	63.8	41.8	20.5	19.2	7.1	12.1	14.1	2.9	77,177
1927	64.6	41.3	21.7	19.7	7.4	12.3	14.4	1.3	77,003
1928	63.5	40.0	22.1	18.9	6.8	12.1	14.6	3.0	79,679
1929	65.1	42.1	21.7	17.3	6.8	10.5	14.9	2.7	81,940

Source: "America's Capacity to Consume."

bilities is known as disposable personal income. This series is the basis for many studies of consumer expenditure and saving.

The relation of gross national product, national income, personal income, and saving, for the years 1929-1946, as revised by the Department of Commerce and published in the National Income Supplement to the July, 1947 issue of Survey of Current Business, is given in Table VII. (as reported in the Federal Reserve Bulletin for September, 1947).

Another method of analysis of the national income is by distributive shares. As published in the Federal Reserve Bulletin (September, 1947), national income by distributive shares for the years 1929-1946, on the latest revised basis of the Department of Commerce, is shown in Table VIII.

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NATIONAL INDUSTRIAL CONFERENCE BOARD

Founded in May, 1916, to provide a bureau of scientific research, a clearing house of information, a forum for discussion, and a means of co-operative action on matters vitally affecting the industrial development of the United States. It is the fundamental purpose of the Conference Board to bring together the collective experience of those engaged in industry and the pertinent industrial facts secured by scientific inquiry and to translate knowledge and matured opinion into constructive action by the application of trained judgment.

The Conference Board was organized with a directorate of executives in the principal branches of American industry and with a trained staff of economists, statisticians and engineers. Leading industrialists serve as officers and executive members of the board. The Conference Board is not a commercial organization

TABLE VI.

THE NUMBER AND INCOME OF FAMILIES BY INCOME CLASSES, 1929

Income Class (in dollars)	Total in Each Class: Families In Thousands	Total in Each Class: Families As Per centage of Total	Total in Each Class: Income In millions of dollars	Total in Each Class: Income As Per-centage of Total	Cumulative Totals: Families In Thousands	Cumulative Totals: Families As Per-centage of Total	Cumulative Totals: Income In millions of dollars	Cumulative Totals: Income As Per-centage of Total
Under 0	120	0.437	—615	—0.797	120	0.437	—615	—0.797
0 to 500	1,982	7.214	596	0.773	2,102	7.651	—19	—0.024
500 to 1,000	3,797	13.820	2,919	3.785	5,899	21.471	2,900	3.761
1,000 to 1,500	5,754	20.943	7,197	9.333	11,653	42.414	10,097	13.094
1,500 to 2,000	4,701	17.111	8,167	10.590	16,354	59.525	18,264	23.684
2,000 to 2,500	3,204	11.626	7,153	9.276	19,558	71.187	25,417	32.960
2,500 to 3,000	1,988	7.236	5,433	7.045	21,546	78.423	30,850	40.005
3,000 to 3,500	1,447	5.267	4,678	6.066	22,993	83.690	35,528	46.071
3,500 to 4,000	993	3.614	3,710	4.811	23,986	87.304	39,238	50.882
4,000 to 4,500	718	2.613	3,041	3.943	24,704	89.917	42,279	54,285
4,500 to 5,000	514	1.871	2,437	3.160	25,218	91.788	44,716	57.985
5,000 to 6,000	666	2.424	3,632	4,710	25,884	94.212	48,348	62.695
6,000 to 7,000	407	1.481	2,628	3.408	26,291	95.693	50,976	66.103
7,000 to 8,000	252	0.917	1,883	2.442	26,543	96.610	52,859	68.545
8,000 to 9,000	172	0.626	1,459	1.892	26,715	97.236	54,318	70.437
9,000 to 10,000	128	0.466	1,218	1.579	26,843	97.702	55,536	72.016
10,000 to 15,000	304	1.107	3,666	4.754	27,147	98.809	59,202	76.770
15,000 to 20,000	108	0.393	1,856	2.407	27,255	99.202	61,058	79.177
20,000 to 25,000	59	0.215	1,309	1.697	27,314	99.417	62,367	80.874
25,000 to 30,000	35	0.127	965	1.251	27,349	99.544	63,332	82.125
30,000 to 40,000	40	0.146	1,395	1.809	27,389	99.690	64,727	83.934
40,000 to 50,000	22	0.080	984	1.276	27,411	99.770	65,711	85.210
50,000 to 75,000	27	0.098	1,616	2.096	27,438	99.868	67,327	87.306
75,000 to 100,000	12	0.044	1,036	1.343	27,450	99.912	68,363	88.649
100,000 to 250,000	16	0.058	2,164	2.806	27,466	99.970	70,527	91.455
250,000 to 500,000	4	0.015	1,500	1.945	27,470	99.985	72,027	93,400
500,000 and over	4	0.015	5,089	6.600	27,474	100.000	77,176	100.000
All classes	27,474	100.00	77,116	100.00	27,474	100.00	77,116	100.000

Source: "America's Capacity to Consume."

The major part of its income is derived from voluntary contributions of optional amount from all classes of employers and others interested in the welfare of industry. Under the auspices of the board, many reports, pamphlets and books on business economics have been published.

NATIONAL INDUSTRIAL RECOVERY ACT

An act, approved June 16, 1933, which created the National Recovery Administration (Blue Eagle Codes) and the Public Works Administration. Among other things it:

(1) Declared it to be the policy of Congress, in the then existing national emergency of widespread unemployment and disorganization of industry, to encourage national industrial recovery, to foster fair competition and provide for the construction of useful public works.

(2) Covered all industries engaged in or affecting interstate or foreign commerce and provided for a comprehensive program of public works.

(3) Created the National Recovery Administration, the Industrial Recovery Board, the Federal Emergency Administration of Public Works and Board.

(4) Relieved industries or integral units, during the emergency, from anti-trust restrictions provided that they were to function under codes of fair competition, voluntary or imposed, agreements or licenses.

(5) Provided for the adoption of voluntary codes, subject to the President's approval, if the adopting body was of open, representative membership, if the code did not promote discriminations or monopolistic practices and provided labor was protected by rights to collective bargaining, prohibition of "yellow dog" contracts and establishment of maximum hours, minimum rates of pay and proper working conditions.

(6) Provided that codes might be imposed by the President, upon his own initiative or complaint, after public hearing, to eliminate abuses inimical to the public.

(7) Authorized employer-employe agreements on maximum hours, minimum rates of pay and working conditions, standards so established to have the same effect as codes of fair competition.

(8) To avoid administrative conflict with the Agricultural Adjustment Act, authorized the President to delegate to the Secretary of Agriculture any of his powers and functions with respect to trades, industries or subdivisions engaged in handling agricultural commodities.

(9) Empowers the Federal Trade Commission, on the

TABLE VII.

RELATION OF GROSS NATIONAL PRODUCT, NATIONAL INCOME, PERSONAL INCOME, AND SAVING, 1929-1946

[In millions of dollars]

	1929	1930	1931	1932	1933	1934	1935	1936	1937
Gross national product	**103,828**	**90,857**	**75,930**	**58,340**	**55,760**	**64,868**	**72,193**	r82,483	**90,213**
Less: Capital consumption allowances	8,816	8,747	8,312	7,663	7,245	7,218	7,369	7,684	7,972
Equals: Net national product	**95,012**	**82,110**	**67,618**	**50,677**	**48,515**	**57,650**	**64,824**	r74,799	**82,241**
Plus: Subsidies minus current surplus of government enterprises	−147	−123	−49	−45	18	283	403	39	60
Less: Indirect business tax and related liabilities	7,003	7,155	6,859	6,768	7,055	7,815	8,190	8,663	9,157
Business transfer payments	587	534	649	737	659	641	594	594	567
Statistical discrepancy	−80	−705	1,188	1,437	1,235	864	−346	862	−1,050
Equals: National income	**87,355**	**75,003**	**58,873**	**41,690**	**39,584**	**48,613**	**56,789**	r64,719	**73,627**
Less: Undistributed corporate profits	2,597	−3,045	−5,381	−5,998	−2,428	−1,619	−613	−284	−8
Corporate profits tax liability	1,398	848	500	382	524	746	965	1,411	1,512
Corporate inventory valuation adjustment	472	3,260	2,414	1,047	−2,143	−625	−227	−738	−31
Contributions for social insurance	243	253	262	278	285	304	333	598	1,800
Excess of wage accruals over disbursements	0	0	0	0	0	0	0	0	0
Plus: Net interest paid by government	983	964	1,084	1,141	1,170	1,230	1,141	1,101	1,204
Government transfer payments	912	1,010	2,024	1,415	1,454	1,552	1,795	2,926	1,851
Business transfer payments	587	534	649	737	659	641	594	594	567
Equals: Personal income	**85,127**	**76,195**	**64,835**	**49,274**	**46,629**	**53,230**	**59,861**	r68,353	**73,976**
Less: Personal tax and related payments	2,643	2,507	1,858	1,455	1,464	1,595	1,888	2,258	2,921
Equals: Disposable personal income	**82,484**	**73,688**	**62,977**	**47,819**	**45,165**	**51,635**	**57,973**	r66,095	**71,055**
Less: Personal consumption expenditures	78,761	70,789	61,153	49,208	46,346	51,882	56,215	62,515	67,121
Equals: Personal saving	**3,723**	**2,899**	**1,824**	**−1,389**	**−1,181**	**−247**	**1,758**	r3,580	**3,934**

	1938	1939	1940	1941	1942	1943	1944	1945	1946
Gross national product	**84,683**	**90,426**	**100,477**	**125,294**	**159,628**	**192,573**	**210,551**	**213,120**	**203,679**
Less: Capital consumption allowances	7,992	8,101	8,440	9,294	9,935	10,585	11,773	12,085	11,040
Equals: Net national product	**76,691**	**82,325**	**92,037**	**116,000**	**149,636**	**181,988**	**198,778**	**201,035**	**192,639**
Plus: Subsidies minus current surplus of government enterprises	176	485	420	102	150	183	659	775	843
Less: Indirect business tax and related liabilities	9,154	9,365	10,021	11,296	11,813	12,685	14,029	15,339	16,851
Business transfer payments	429	451	431	502	494	504	549	564	528
Statistical discrepancy	−91	462	658	470	1,050	720	2,599	3,099	−2,101
Equals: National income	**67,375**	**72,532**	**81,347**	**103,834**	**136,486**	**168,262**	**182,260**	**182,808**	**178,204**
Less: Undistributed corporate profits	−906	1,209	2,398	4,921	5,136	5,886	5,239	4,174	6,925
Corporate profits tax liability	1,040	1,462	2,878	7,846	11,665	14,153	13,913	11,283	8,601
Corporate inventory valuation adjustment	963	−714	−148	−2,617	−1,274	−824	−355	−533	−4,689
Contributions for social insurance	1,977	2,136	2,282	2,784	3,468	4,516	5,172	6,140	5,990
Excess of wage accruals over disbursements	0	0	0	0	0	209	−193	14	−30
Plus: Net interest paid by government	1,192	1,205	1,291	1,289	1,517	2,140	2,800	3,675	4,491
Government transfer payments	2,405	2,512	2,688	2,617	2,657	2,466	3,082	5,621	10,791
Business transfer payments	429	451	431	502	494	504	549	564	528
Equals: Personal income	**68,327**	**72,607**	**78,347**	**95,308**	**122,159**	**149,432**	**164,915**	**171,590**	**177,217**
Less: Personal tax and related payments	2,862	2,440	2,604	3,293	5,962	17,815	18,904	20,878	18,789
Equals: Disposable personal income	**65,465**	**70,167**	**75,743**	**92,015**	**116,197**	**131,617**	**146,011**	**150,712**	**158,428**
Less: Personal consumption expenditures	64,513	67,466	72,052	82,255	90,835	101,626	110,417	121,698	143,670
Equals: Personal saving	**952**	**2,701**	**3,691**	**9,760**	**25,362**	**29,991**	**35,594**	**29,014**	**14,758**

President's request, to conduct any necessary investigations.

(10) Provided that violations of codes, agreements or licenses should be deemed unfair competition to be restrained by United States District Courts upon application of the Attorney General or District Attorneys.

(11) Provided for petroleum control empowering the Interstate Commerce Commission upon the President's order to institute proceedings to control pipe lines and fix rates, and that interstate transportation of petroleum drawn from storage in excess of amount permitted by State law or regulations might be prohibited.

(12) Stipulated that the Federal Emergency Administration for Public Works might function for two years, and authorized its administrator to prepare a program covering highways, water systems, conservation and development of natural resources, prevention of soil erosion, water power and electric transmission development, river and harbor improvements, flood control, low-cost housing and slum clearance,and, subject to suspension under treaty, naval and aircraft construction, army housing, motorization and mechanization.

(13) Terminated loans under the Emergency Act of 1932 and decreased the RFC's outstanding obligations $400,000,000.

(14) Appropriated $3,000,000,000; established a 2 1/2 per cent. sinking fund; allotted $400,000,000 for State highways and $50,000,000 for national-forest, Indian-reservation and public-land roads; provided a $25,000,000 revolving fund for subsistence homestead loans to facilitate population redistribution; and

(15) Provided for revenue from these sources: Gasoline tax increased from 1 to 1 1/2 cents; 5 per cent. excise tax on dividends paid to any one other than domestic corporation: $1 per $1,000 excise tax on corporation capital, domestic or foreign, employed in United States; 5 per cent. excess-profits tax; all to terminate on President's proclamation at close of first fiscal year that budget is balanced or upon repal of the Eighteenth Amendment, whichever should come earlier.

Act Invalidated.—Section 3 of the Act, the codes of fair competition section, was declared unconstitutional by a unanimous decision of the United States Supreme Court on May 27, 1935. The case involved in this deci-

TABLE VIII.

National Income, by Distributive Shares, 1929-1946

[In millions of dollars]

	1929	1930	1931	1932	1933	1934	1935	1936	1937
National income	**87,355**	**75,003**	**58,873**	**41,690**	**39,584**	**48,613**	**56,789**	**r64,719**	**73,627**
Compensation of employees	**50,786**	**46,515**	**39,470**	**30,826**	**29,330**	**34,067**	**37,107**	**42,675**	**47,696**
Wages and salaries[1]	*50,165*	*45,894*	*38,886*	*30,284*	*28,825*	*33,520*	*36,508*	*41,754*	*45,948*
Private	45,206	40,720	33,607	25,297	23,660	27,420	29,984	33,866	38,432
Military	312	315	308	295	270	271	306	338	358
Government civilian	4,647	4,859	4,971	4,692	4,895	5,829	6,218	7,550	7,158
Supplements to wages and salaries	*621*	*621*	*584*	*542*	*505*	*547*	*599*	*921*	*1,748*
Employer contributions for social insurance	101	106	111	126	133	147	171	418	1,234
Other labor income	520	515	473	416	372	400	428	503	514
Income of unincorporated enterprises and inventory valuation adjustment	**13,927**	**10,963**	**8,214**	**4,921**	**5,207**	**6,603**	**9,858**	**r9,942**	**12,249**
Business and professional	*8,262*	*7,032*	*5,316*	*3,206*	*2,925*	*4,276*	*4,987*	*6,074*	*6,630*
Income	8,120	6,277	4,705	2,911	3,450	4,330	5,037	6,194	6,659
Inventory valuation adjustment	142	755	611	295	−525	−54	−50	−120	−29
Farm[2]	5,665	3,931	2,898	1,715	2,282	2,327	4,871	r3,868	5,619
Rental income of persons	**5,811**	**4,786**	**3,620**	**2,508**	**2,018**	**2,095**	**2,288**	**2,682**	**3,140**
Corporate profits and inventory valuation adjustment	**10,290**	**6,563**	**1,631**	**−1,995**	**−1,981**	**1,098**	**2,997**	**4,946**	**6,166**
Corporate profits before tax	*9,818*	*3,303*	*−783*	*−3,042*	*162*	*1,723*	*3,224*	*5,684*	*6,197*
Corporate profits tax liability	1,398	848	500	382	524	746	965	1,411	1,512
Corporate profits after tax	8,420	2,455	−1,283	−3,424	−362	977	2,259	4,273	4,685
Dividends	5,823	5,500	4,098	2,574	2,066	2,596	2,872	4,557	4,693
Undistributed profits	2,597	−3,045	−5,381	−5,998	−2,428	−1,619	−613	−284	−8
Inventory valuation adjustment	472	3,260	2,414	1,047	−2,143	−625	−227	−738	−31
Net interest	**6,541**	**6,176**	**5,938**	**5,430**	**5,010**	**4,750**	**4,539**	**4,474**	**4,376**

	1938	1939	1940	1941	1942	1943	1944	1945	1946
National income	**67,375**	**72,532**	**81,347**	**103,834**	**136,486**	**168,262**	**182,260**	**182,808**	**178,204**
Compensation of employees	**44,747**	**47,820**	**51,786**	**64,280**	**84,689**	**109,102**	**121,184**	**122,872**	**116,763**
Wages and salaries[1]	*42,812*	*45,745*	*49,587*	*61,708*	*81,681*	*105,537*	*116,944*	*117,551*	*111,113*
Private	34,564	37,519	41,130	51,537	65,628	78,671	83,317	82,085	90,237
Military	370	398	591	1,862	6,285	14,478	20,782	22,438	8,010
Government civilian	7,878	7,828	7,866	8,309	9,768	12,388	12,845	13,028	12,866
Supplements to wages and salaries	*1,935*	*2,075*	*2,199*	*2,572*	*3,008*	*3,565*	*4,240*	*5,321*	*5,650*
Employer contributions for social insurance	1,423	1,540	1,624	1,983	2,302	2,677	2,936	3,805	4,072
Other labor income	512	535	575	589	706	888	1,304	1,516	1,578
Income of unincorporated enterprises and inventory valuation adjustment	**10,768**	**11,282**	**12,660**	**16,504**	**22,724**	**25,951**	**27,690**	**30,165**	**34,951**
Business and professional	*6,347*	*6,776*	*7,720*	*9,566*	*12,112*	*14,128*	*15,310*	*16,700*	*19,738*
Income	6,126	6,942	7,772	10,210	12,464	14,266	15,369	16,754	21,046
Inventory valuation adjustment	221	−166	−52	−644	−352	−138	−59	−54	−1,308
Farm[2]	4,421	4,506	4,940	6,938	10,612	11,823	12,380	13,465	15,213
Rental income of persons	**3,278**	**3,465**	**3,620**	**4,322**	**5,371**	**6,150**	**6,693**	**6,952**	**6,865**
Corporate profits and inventory valuation adjustment	**4,292**	**5,753**	**9,177**	**14,615**	**19 4**	**23,692**	**23,486**	**19,689**	**16,451**
Corporate profits before tax	*3,329*	*6,467*	*9,325*	*17,232*	*21,*	*24,516*	*23,841*	*20,222*	*21,140*
Corporate profits tax liability	1,040	1,462	2,878	7,846	11,66	14,153	13,913	11,283	8,601
Corporate profits after tax	2,289	5,005	6,447	9,386	9,433	10,363	9,928	8,939	12,539
Dividends	3,195	3,796	4,049	4,465	4,297	4,477	4,689	4,765	5,614
Undistributed profits	−906	1,209	2,398	4,921	5,136	5,886	5,239	4,174	6,925
Inventory valuation adjustment	963	−714	−148	−2,617	−1,274	−824	−355	−533	−4,689
Net interest	**4,290**	**4,212**	**4,104**	**4,113**	**3,878**	**3,367**	**3,207**	**3,130**	**3,174**

r Annual data for 1936 have been revised since publication in the source cited below.
[1] Includes employee contributions to social insurance funds.
[2] Inventory valuation adjustment data for farms are not available separately.
SOURCE.—*National Income Supplement* to the *Survey of Current Business*, July 1947, Department of Commerce.

sion was A. L. A. Schechter Poultry Corp. et al. v. U. S. (295 U. S. 495).

Highlights from the Supreme Court's decision in this case follow: Extraordinary conditions may call for extraordinary remedies. But the argument necessarily stops short of an attempt to justify action which lies outside of the sphere of constitutional authority.

Congress cannot delegate legislative power to the President to exercise an unfettered discretion to make whatever laws he thinks may be needed or advisable for the rehabilitation and expansion of trade or industry. (Delegation of legislative power by Congress to the President was the issue of this case; even Mr. Justice Cardozo, siding with the majority, wrote: "This is delegation running riot.")

In view of the nature of the few restrictions that are imposed, the discretion of the President in approving or prescribing codes, and thus enacting laws for the government of trade and industry throughout the country, is virtually unfettered.

If the commerce clause were construed to reach all enterprises and transactions which could be said to have an indirect effect upon interstate commerce the Federal authority would embrace practically all the activities of the people and the authority of the State over its domestic concerns would exist only by sufferance of the Federal Government.

If the Federal Government may determine the wages and hours of employes in internal commerce of a State it would seem that a similar control might be exerted over other elements of cost such as the number of employes, rents, advertising, methods of doing business, etc.

But the authority of the Federal Government may not be pushed to such an extreme as to destroy the distinction, which the commerce clause itself establishes between commerce among the several states and the internal concerns of a State.

Without in any way disparaging this motive, it is enough to say that the recuperative efforts of the Federal Government must be made in a manner consistent with the authority granted by the Constitution.

NATIONAL METAL EXCHANGE

Formerly the principal metal market of the United States, located in New York City. This exchange was merged with the Commodity Exchange, Inc. (q. v.) on July 5, 1933.

NATIONAL MONETARY COMMISSION

The panic of 1907, perhaps the most serious monetary disturbance in the history of the United States, revealed the weakness of our banking, monetary and credit system, and renewed interest in devising methods of reform. As a result of the panic and the revival of public interest in banking reform,on May 30, 1908, Congress passed the so-called Aldrich-Vreeland Law, as a temporary relief measure until such time as new and through going constructive banking legislation could be formulated. With this end in view, the Act created the National Monetary Commission, the function of which was to make an examination of the monetary and banking systems of the leading commercial nations of the world and to submit a report. The sections creating the National Monetary Commission are as follows:

"Sec. 17: That a Commission is hereby created, to be called the 'National Monetary Commission,' to be composed of nine members of the Senate, to be appointed by the presiding officer thereof, and nine members of the House of Representatives, to be appointed by the speaker thereof; and any vacancy on the commission shall be filled in the same manner as the original appointment.

"Sec. 18: That it shall be the duty of this commission to inquire into and report to Congress at the earliest date practicable, what changes are necessary or desirable in the monetary system of the United States, or in the laws relating to banking and currency and for this purpose they are authorized to sit during the sessions or recess of Congress, at such times and places as they may deem desirable, to send for persons and papers, to administer oaths, to summons and compel the attendance of witnesses, and to employ a disbursing officer and such secretaries, experts, stenographers, messengers and other assistants as shall be necessary to carry out the purposes for which said Commission was created. The Commission shall have power, through sub-committee or otherwise, to examine witnesses and to make such investigations or examinations in this or other countries, of the subjects committed to their charge as they shall deem necessary."

After four years of investigation, which included a study of banking, credit and currency systems at home and abroad and with the co-operation of economists, bankers and business leaders, the commission published the result of its findings in 46 volumes, which are listed below. These volumes have compelled widespread interest and constitute one of the most informative, painstaking, scientific and exhaustive research studies on banking, credit, and currency compiled on the American banking system prior to the Federal Reserve System.

Personnel.—The membership of the National Monetary Commission was as follows:

Nelson W; Aldrich, Rhode Island, Chairman.
Edward B. Vreeland, New York, Vice-Chairman.
Julius C. Burrows, Michigan.
Eugene Hale, Maine.
Philander C. Knox, Pennsylvania.
Theodore E. Burton, Ohio.
John W. Daniel, Virginia.
Henry M. Teller, Colorado.
Hernando D. Money, Mississippi.
Joseph W. Bailey, Texas.
Jesse Overstreet, Indiana.
John W. Weeks, Massachusetts.
Robert W. Bonygne, Colorado.
Sylvester C. Smith, California.
Lemuel P. Padgett, Tennessee.
George F. Burgess, Texas.
Arsene P. Pujo, Louisiana.
Arthur B. Shelton, Secretary.
A. Piatt Andrew, Special Assistant to Commission.

In January 1912, the Commission reported in full to Congress and submitted a bill which later came to be known as the "Aldrich Plan," after Senator Aldrich, the Commission's Chairman. Many of the best features of this plan were later embodied in the Federal Reserve Act so that the recommendations with modifications of the Monetary Commission found tangible expression in the Act which controls our banking, credit and currency system today.

PUBLICATIONS OF THE NATIONAL MONETARY COMMISSION

Address by Senator Aldrich. The Work of the Nation-

on Monetary Commission. (275 pages) Senate Document 548.

Suggested plan for monetary legislation, by Senator Aldrich. (21 pages) Senate Document 734.

Addresses on the Currency and Banking Question in Reports of Bankers' Conventions, Legislatures and Others. (1894. Senate Document 160.

Selections from Current Controversy and Financial Literature, compiled by E. M. Bacon. (Appleton, 1894.)

The Currency and the Banking Laws of the United States. (1894. Senate Document 172.

Report of the Monetary Commission of the Indianapolis Convention. (1898. Senate Document 332.

Report of the Industrial Commission on Currency and Banking. (1900. Senate Document 476.

Suggested Changes in Administrative Features of the National Banking Laws. (374 pages) Senate Document 548.

Survey of the Federal Land Credit System. (1916. Senate Document 172.

The Support of Banking in Canada, by E. M. Breckenridge. (1910. Senate Document 588.

The Canadian Banking System, by Dr. Joseph Stancliffe. (1910. Senate Document 583.

Addresses on the Banking and Currency Problem in Canada. (1909 pages) Senate Document 584.

The English Banking System. (1910. Senate Document 490.

History of the Bank of England. (1901 pages) Senate Document 591.

Evolution of Credit and Banks in France, by Andre Liesse. (1909 pages) Senate Document 588.

The Bank of France and Its Relation to National and International Credit, by Maurice Pierjo. And an article on French Savings, by Alfred Neymarck. (1911 pages) Senate Document 594.

The History and Methods of the Paris Bourse. (1910 pages) Senate Document 571.

The Reichsbank, 1876-1900. (1901 pages) Senate Document 448.

German Imperial Banking Laws. (1911 pages) Senate Document 574.

The Great German Banks and Their Concentration in Connection with the Economic Development of Germany. (1910 pages) Senate Document 593.

Miscellaneous Articles on German Banking. (1911 pages) Senate Document 548.

The Bank Act of 1913. (Pamphlet reprint. 1913. 47 pages) Senate Document 37.

Federal Reserve Banks. (1914 pages) Senate Document 23.

The United Banking Law. (1911 pages) Senate Document 491.

Italian Banks of Issue. (1911 pages) Senate Document 575.

The Oriental Banking System. (1911 pages) Senate Document 579.

The National Bank of Belgium. (1911 pages) Senate Document 448.

The Banking System of Greece. (1911 pages) Senate Document 578.

Banking in Russia, Austro-Hungary, Holland, and Japan. (1911 pages) Senate Document 580.

Financial Diplomacy, reviewed by A. Piatt Andrew. Dr. Dillon's article in Quarterly Review. (1911. 1916.

NATIONAL MORTGAGE ASSOCIATION

An association which may be organized under the National Housing Act to purchase and sell first mortgages on real estate held under fee simple or ground lease for not less than 99 years, and which is also authorized to borrow funds for the purchase of its loans through the issuance of bonds, to guarantee the bonds of organizations, and forms and powers, see Title III, entitled "National Mortgage Associations" of the National Housing Act.

NATIONAL QUOTATION BUREAU

Established in 1913, the National Quotation Bureau, Inc. provides an invaluable daily quotation service on unlisted stocks and bonds for investment bankers, the

well as a Mercury Summary Service. The quotation service is published six days a week except stock exchange and legal holidays, and is intended for houses of the dealer type that have a real interest in the Over-the-Counter Market. The service is for the exclusive use of subscribers at the offices to which the service is delivered. The Bureau's standards and requirements prohibit the use of the service to listings from persons who do not indicate a genuine interest in each security sold as to quantity and price although all wants and offerings listed are subject to previous sale or change of price. Thus a subscriber relies upon consulting the service to learn what are ready to trade in. Inside or wholesale markets for the stocks and bonds listed. This service is not intended for the public, but by facilitating the communication of buyers and sellers among trading dealers and brokers performs a valuable function in freeing better markets in unlisted securities and thus benefiting the public.

The service is nation-wide, there being an Eastern Section, a Western Section, and Coast Sections. Messenger service is maintained at each of the Bureau's offices in New York, Chicago and San Francisco to collect listings from subscribers locally. Listings from subscribers located elsewhere are received by regular or air mail, and by prepaid telegraph, telephone or Bell System teletype. The monthly National Corporation Bond, Stock and Municipal Bond Summaries are valuable reference sources for quotations on unlisted securities.

(See Over-the-Counter Market.)

NATIONAL RAW SILK EXCHANGE

This exchange was merged with the Commodity Exchange, Inc. (q. v.) as of July 5, 1933.

NATIONAL SECURITIES EXCHANGES

See Stock Exchanges.

NATIONAL WEALTH

Estimated to be as follows by the United States Census Bureau:

	Total	Per Capita
1922	$320,868,382,000	$2,918
1912	186,299,864,000	1,851
1904	107,104,211,917	1,318
1900	88,517,306,775	1,165
1890	65,037,091,000	1,036
1880	43,642,000,000	870
1870	30,068,518,000	824
1860	16,159,616,000	514
1850	7,135,780,000	308

The Bureau of the Census points out that estimates of national wealth for the earlier censuses were not made by precisely the same methods used in later estimates, and the figures are therefore not closely comparable. Changes in the buying power of money, as indicated by levels of prices and wages, also materially affect comparisons. There have been no official estimates of national wealth since 1922.

Unofficial estimates of national wealth since 1922 have been made by the National Industrial Conference Board, which placed national wealth at the following levels:

1925	$355,300,000
1926	340,471,000
1927	336,195,000
1928	351,362,000
1929	362,362,000
1930	326,701,000
1931	301,301,000
1932	247,351,000

No later estimates by the National Industrial Conference Board are available.

Value of physical assets in the United States has been estimated by the Secretary of the Treasury at $428.1 billion for 1939; $388.4 billion for 1938; and $401 billion (including Government-owned plants acquired since 1939) for 1945. The 1945 estimate of value of physical assets totaled $501 billion gross, but $91 billion was deducted as estimated depreciation on buildings and equipment.

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NATURAL GAS

Although natural gas is one of the latest fuels known to man, the natural gas industry in the United States did not begin to develop into importance until 1924, when building began of long distance pipelines from natural gas fields to urban markets. Previously, the industry had been important only in areas local to the gas fields. In recent years, growth of the industry has been the fastest among public utilities, with gains of 64% in customers, 95% in gas sales, and 98% in natural gas revenues for the decade ending with 1947. In 1947, total sales of natural gas reached over 5,115 million cubic feet and natural gas revenues totaled over $543 million, a new high in the history of the industry.

There are now over 700 companies supplying natural gas, serving over 10,700,000 customers in 5,011 communities, and another 81 companies or so supplying mixed natural and manufactured gas to another 1,200,000 customers. Although local retail sales of natural gas sales are to industrial customers, such sales are at low wholesale rates, and residential and commercial sales are the real source of revenues for the industry, accounting for about 70% of natural gas revenues.

Responsible for the record growth of the industry has been the increase in the total network of natural gas pipelines to a total mileage of 125,000 miles, including 5,870 miles of line added in 1947. Pipeline construction programs of the industry as of 1948 call for another 21,500 miles, of which the Federal Power Commission has already approved and authorized about 5,400 miles. When and if completed, such expansion will enable pipelines to reach major cities in the East, including New York and Boston, as well as extensively cover the Middle West, the Southeast, the Southwest, and even reach California. Because of the high fuel cost of coal

for generation of electricity and manufacture of artificial gas, it is expected that coal-burning utilities in major cities will be converted to low-cost natural gas, either straight or mixed, as the pipelines are completed.

Basically justifying all this expansion has been the rapid growth in natural gas reserves of the industry, aided by new discoveries and development of existing fields. Proved natural gas reserves in the United States are estimated by industry sources at 165.93 trillion cubic feet, with another 27.7 billion barrels available in liquid hydrocarbon reserves, as compared with total production of 5.6 trillion cubic feet for 1947. During the next decade, it is anticipated that the natural gas industry will expand to an annual production of 8 to 10 trillion cubic feet. By that time, it is expected that reserves would have grown further, the total increase in reserves since 1934 having been 160%. Principal fields are located in Texas.

NEGOTIABLE

When an instrument is negotiable, legal title thereto may be transferred from one person to another in such manner as to constitute the transferee the holder. Negotiation is by merely delivery, if the instrument is a bearer instrument; or by indorsement and delivery, if the instrument is an order instrument. The holder of a negotiable instrument may sue thereon in his own name, and payment to him in due course discharges the instrument. The most important legal incident of negotiable instruments is the Holder in Due Course (q. v.), who holds the instrument free from any defect of title of prior parties, and free from all defenses except the "real defenses" available to prior parties among themselves, and may enforce payment of the instrument for the full amount against all liable parties. For the requirements of negotiability, see Sec. 1, Uniform Negotiable Instruments Law; and Sec. 20, New York Negotiable Instuments Law. (See Negotiable Instruments, Negotiable Securities.

NEGOTIABLE DOCUMENTS

A general term to include all forms of Negotiable Instruments (q. v.), and other papers which are negotiable by delivery, e. g., bearer checks, drafts or notes, bearer bonds, coupons; or by delivery and indorsement, e. g., order checks, drafts or notes, order bills of lading. Technically, a negotiable instrument is one which calls for the payment of money. An instrument which contains an order or promise to do any act other than the payment of money is not a negotiable instrument within the meaning of the Negotiable Instruments Law. Bills of lading and warehouse receipts call for delivery of merchandise, and while they cannot be considered negotiable instruments, still they may be negotiated if made order documents. An endorsed stock certificate, endorsed in blank, has under the Uniform Stock Transfer Law (Secs. 166-168, New York Personal Property Law) the attributes of a bearer instrument in that an innocent purchaser for value without notice obtains good title, even though the certificate was lost or stolen. Negotiable documents is a term employed to designate all papers which may be negotiated whether negotiable instruments or not. (See Negotiable Instruments.)

NEGOTIABLE INSTRUMENTS

Written orders or promises to pay money which may be transferred from one person to another by delivery, or by indorsement and delivery, the full legal title thereby becoming vested in the transferee; and the negotiation of which to a Holder in Due Course (q. v.), gives such holder the same rights as the original payee (promisee) free from defenses (except the "real" defenses) which might defeat them. Thus, a holder in due course who has purchased a negotiable instrument and secured title by negotiation is the absolute owner. He does not merely purchase as good a title as the previous owner.

Negotiation is achieved (1) by delivery, i. e., by merely handing it from one person to another, when the negotiable instrument is payable to bearer; or (2) by Indorsement (q. v.), and delivery, when the negotiable instrument is payable to order.

By the terms of the Negotiable Instruments Law (q.v.), an instrument to be negotiable must conform to the following requirements: (1) it must be in writing and signed by the maker or drawer; (2) must contain an unconditional promise or order to pay a certain sum in money; (3) must be payable on demand, or at a fixed or determinable future time; (4) must be payable to order or to bearer; and (5) where the instrument is addressed to a drawee, he must be named or otherwise indicated therein with reasonable certainty. It is always presumed that the parties to a negotiable instrument have legal capacity to contract, and that the instrument has been issued for a valuable consideration.

The principal negotiable instruments in the United States are checks, bills of exchange, promissory notes, and acceptances. A postal money order is not a negotiable instrument. (See Negotiable Securities.)

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NEGOTIABLE INSTRUMENTS LAW

A law relating to negotiable instruments which was first codified and approved by several of the states in 1897, and has since been adopted and incorporated with certain modifications into the statutes of all the states. Prior to the enactment of this law cases growing out of litigation concerning bills, notes, and checks, were governed by the law merchant—a body of rules, customs, and principles which had been practice for centuries in England. The law merchant is resorted to even now when the negotiable instruments law does not cover the controversy. The law is therefore a crystallization of principles theretofore existing. The first restatement of the principles of the law merchant was the British Bills of Exchange Act enacted in 1882. The American act is to a large extent based upon the British law.

The purpose of the negotiable instruments law is to make uniform in all the states the law relating to negotiable commercial paper. Commissioners appointed from most of the states meet annually in order to promote uniformity in state laws. In 1895 they undertook the first draft of the negotiable instruments law. In the following year it was recommended for adoption by the states and was adopted in 1897 by Florida, Connecticut, New York and Virginia. At the present time all the states have adopted this law, although in some cases it has been somewhat amended. The section numbers of the law as recommended by the commissioners have not always been followed by the several states. The law may be divided into three general chapters: the first dealing with negotiable instruments in general, their

form and interpretation, negotiation, rights of holders, liabilities of parties, presentment, dishonor, discharge, etc. The second chapter deals with bills of exchange and the third with promissory notes and checks.

The following is the text of the Negotiable Instruments Law as incorporated in the statutes of New York State for 1948.

Article 1.
Short Title; Definitions.

Section 1. Short title.
2. Definitions.

§ 1. Short title.—This chapter shall be known as the negotiable instruments law.

§ 2. Definitions.—In this chapter, unless the context otherwise requires:

"Acceptance" means an acceptance completed by delivery or notification.

"Action" includes counter-claim and set-off.

"Bank" includes any person or association of persons carrying on the business of banking, whether incorporated or not.

"Bearer" means the person in possession of a bill or note which is payable to bearer.

"Bill" means bill of exchange, and "note" means negotiable promissory note.

"Delivery" means transfer of possession, actual or constructive, from one person to another.

"Holder" means the payee or indorser of a bill or note, who is in possession of it, or the bearer thereof.

"Indorsement" means an indorsement completed by delivery.

"Instrument" means negotiable instrument.

"Issue" means the first delivery of the instrument, complete in form, to a person who takes it as a holder.

"Person" includes a body of persons, whether incorporated or not.

"Value" means valuable consideration.

"Written" includes printed, and "writing" includes print.

Article 2.
General Provisions.

Section 3. Person primarily liable on instrument.
4. Reasonable time, what constitutes.
5. Time, how computed; when last day falls on holiday.
6. Application of chapter.
7. Law merchant; when governs.

§ 3. Person primarily liable on instrument.—The person "primarily" liable on an instrument is the person who by the terms of the instrument is absolutely required to pay the same. All other parties are "secondarily" liable.

§ 4. Reasonable time, what constitutes.—In determining what is a "reasonable time" or an "unreasonable time," regard is to be had to the nature of the instrument, the usage of trade or business (if any) with respect to such instruments, and the facts of the particular case.

§ 5. Time, how computed; when last day falls on holiday.—Where the day, or the last day, for doing any act herein required or permitted to be done falls on Sunday or on a holiday, the act may be done on the next succeeding secular or business day.

§ 6. Application of chapter.—The provisions of this chapter do not apply to negotiable instruments made and delivered prior to October first, eighteen hundred and ninety-seven.

§ 7. Law merchant; when governs.—In any case not provided for in this chapter the rules of the law merchant shall govern.

Article 3.
Form and Interpretation.

Section 20. Form of negotiable instrument.
21. Certainty as to sum; what constitutes.
22. When promise is unconditional.
23. Determinable future time; what constitutes.
24. Additional provisions not affecting negotiability.
25. Omissions; seal; particular money.
26. When payable on demand.
27. When payable to order.
28. When payable to bearer.
29. Terms, when sufficient.
30. Date, presumption as to.
31. Ante-dated and post-dated.
32. When date may be inserted.
33. Blanks; when may be filled.
34. Incomplete instrument not delivered.
35. Delivery; when effectual; when presumed.
36. Construction where instrument is ambiguous.
37. Liability of person signing in trade or assumed name.
38. Signature by agent; authority; how shown.
39. Liability of person signing as agent.
40. Signature of procuration; effect of.
41. Effect of indorsement by infant or corporation.
42. Forged signature; effect of.
43. Forged or unauthorized indorsements.

§ 20. Form of negotiable instrument.—An instrument to be negotiable must conform to the following requirements:

1. It must be in writing and signed by the maker or drawer.
2. Must contain an unconditional promise or order to pay a sum certain in money.
3. Must be payable on demand, or at a fixed or determinable future time.
4. Must be payable to order or to bearer; and
5. Where the instrument is addressed to a drawee, he must be named or otherwise indicated therein with reasonable certainty.

§ 21. Certainty as to sum; what constitutes.—The sum payable is a sum certain within the meaning of this chapter, although it is to be paid:

1. With interest; or
2. By stated instalments; or
3. By stated instalments, with a provision that upon default in payment of any instalment or of interest, the whole shall become due; or
4. With exchange, whether at a fixed rate or at the current rate; or
5. With costs of collection or an attorney's fee, in case payment shall not be made at maturity.

§ 22. When promise is unconditional.— An unqualified order or promise to pay is unconditional within the meaning of this chapter, though coupled with:

1. An indication of a particular fund out of which reimbursement is to be made, or a particular account to be debited with the amount, or
2. A statement of the transaction which gives rise to the instrument.

But an order or promise to pay out of a particular fund is not unconditional.

§ 23. Determinable future time; what constitutes.—An instrument is payable at a determinable future time, within the meaning of this chapter, which is expressed to be payable:

1. At a fixed period after date or sight; or
2. On or before a fixed or determinable future time specified therein; or
3. On or at a fixed period after the occurrence of a specified event, which is certain to happen, though the time of happening be uncertain.

An instrument payable upon a contingency is not negotiable, and the happening of the event does not cure the defect.

§ 24. Additional provisions not affecting negotiability - An instrument which contains an order or promise to do any act in addition to the payment of money is not negotiable. But the negotiable character of an instrument otherwise negotiable is not affected by a provision which:

1. Authorizes the sale of collateral securities in case the instrument be not paid at maturity; or
2. Authorizes a confession of judgment if the instrument be not paid at maturity; or
3. Waives the benefit of any law intended for the advantage or protection of the obligor: or
4. Gives the holder an election to require something to be done in lieu of payment of money.

But nothing in this section shall validate any provision or stipulation otherwise illegal.

§ 25. Omissions; seal; particular money.—The validity and negotiable character of an instrument are not affected by the fact that:

1. It is not dated; or
2. Does not specify the value given, or that any value has been given therefor; or
3. Does not specify the place where it is drawn or the place where it is payable; or
4. Bears a seal; or
5. Designates a particular kind of current money in which payment is to be made.

But nothing in this section shall alter or repeal any statute requiring in certain cases the nature of the consideration to be stated in the instrument.

§ 26. When payable on demand.—An instrument is payable on demand:

1. Where it is expressed to be payable on demand, or at sight, or on presentation; or
2. In which no time for payment is expressed.

Where an instrument is issued, accepted or indorsed when overdue, it is, as regards the person so issuing, accepting or indorsing it, payable on demand.

§ 27. When payable to order.—The instrument is payable to order where it is drawn payable to the order of a specified person or to him or his order. It may be drawn payable to the order of:

1. A payee who is not maker, drawer or drawee; or
2. The drawer or maker; or
3. The drawee; or
4. Two or more payees jointly; or
5. One or some of several payees; or
6. The holder of an office for the time being.

Where the instrument is payable to order the payee, must be named or otherwise indicated therein with reasonably certainty.

§ 28. When payable to bearer.—The instrument is payable to bearer:

1. When it is expressed to be so payable; or
2. When it is payable to a person named therein or bearer; or
3. When it is payable to the order of a fictitious or non-existing person, and such fact was known to the person making it so payable; or
4. When the name of the payee does not purport to be the name of any person; or
5. When the only or last indorsement is an indorsement in blank.

§ 29. Terms when sufficient.—The instrument need not follow the language of this chapter, but any terms are sufficient which clearly indicate an intention to conform to the requirements hereof.

§ 30. Date, presumption as to.—Where the instrument or an acceptance or any indorsement thereon is dated, such date is deemed prima facie to be the true date of the making, drawing, acceptance or indorsement, as the case may be.

§ 31. Ante-dated and post-dated.—The instrument is not invalid for the reason only that it is ante-dated or post-dated, provided this is not done for an illegal or fraudulent purpose. The person to whom an instrument so dated is delivered acquires the title thereto as of the date of delivery.

§ 32. When date may be inserted.—Where an instrument expressed to be payable at a fixed period after date is issued undated, or where the acceptance of an instrument payable at a fixed period after sight is undated, any holder may insert therein the true date of issue or acceptance, and the instrument shall be payable accordingly. The insertion of a wrong date does not void the instrument in the hands of a subsequent holder in due course; but as to him, the date so inserted is to be regarded as the true date.

§ 33. Blanks; when may be filled.—Where the instrument is wanting in any material particular, the person in possession thereof has a prima facie authority to complete it by filling up the blanks therein. And a signature on a blank paper delivered by the person making the signature in order that the paper may be converted into a negotiable instrument operates as a prima facie authority to fill it up as such for any amount. In order, however, that any such instrument, when completed, may be enforced against any person who became a party thereto prior to its completion, it must be filled up strictly in accordance with the authority given and within a reasonable time. But if any such instrument, after completion, is negotiated to a holder in due course, it is valid and effectual for all purposes in his hands, and he may enforce it as if it had been filled up strictly in accordance with the authority given and within a reasonable time.

§ 34. Incomplete instrument not delivered.—Where an incomplete instrument has not been delivered it will not, if completed and negotiated, without authority, be a valid contract in the hands of any holder, as against any person whose signature was placed thereon before delivery.

§ 35. Delivery; when effectual; when presumed.—Every contract on a negotiable instrument is incomplete and revocable until delivery of the instrument for the purpose of giving effect thereto. As between immediate parties, and as regards a remote party other than a holder in due course, the delivery, in order to be effect-

ual, must be made either by or under the authority of the party making, drawing, accepting or indorsing, as the case may be; and in such case the delivery may be shown to have been conditional, or for a special purpose only, and not for the purpose of transferring the property in the instrument. But where the instrument is in the hands of a holder in due course, a valid delivery thereof by all parties prior to him so as to make them liable to him is conclusively presumed. And where the instrument is no longer in the possession of a party whose signature appears thereon, a valid and intentional delivery by him is presumed until the contrary is proved.

§ 36. Construction where instrument is ambiguous.—Where the language of the instrument is ambiguous, or there are omissions therein, the following rules of construction apply:

1. Where the sum payable is expressed in words and also in figures and there is a discrepancy between the two, the sum denoted by the words is the sum payable; but if the words are ambiguous or uncertain, references may be had to the figures to fix the amount;

2. Where the instrument provides for the payment of interest, without specifying the date from which interest is to run, the interest runs from the date of the instrument, and if the instrument is undated, from the issue thereof;

3. Where the instrument is not dated, it will be considered to be dated as of the time it was issued;

4. Where there is a conflict between the written and printed provisions of the instrument, the written provisions prevail;

5. Where the instrument is so ambiguous that there is doubt whether it is a bill or note, the holder may treat it as either at his election;

6. Where a signature is so placed upon the instrument that it is not clear in what capacity the person making the same intended to sign, he is to be deemed an indorser;

7. Where an instrument containing the words "I promise to pay" is signed by two or more persons, they are deemed to be jointly and severally liable thereon.

§ 37. Liability of person signing in trade or assumed name.—No person is liable on the instrument whose signature does not appear thereon, except as herein otherwise expressly provided. But one who signs in a trade or assumed name will be liable to the same extent as if he had signed in his own name.

§ 38. Signature by agent; authority; how shown.—The signature of any party may be made by a duly authorized agent. No particular form of appointment is necessary for this purpose; and the authority of the agent may be established as in other cases of agency.

§ 39. Liability of person signing as agent.—Where the instrument contains or a person adds to his signature words indicating that he signs for or on behalf of a principal, or in a representative capacity, he is not liable on the instrument if he was duly authorized; but the mere addition of words describing him as an agent, or as filling a representative character, without disclosing his principal, does not exempt him from personal liability.

§ 40. Signature by procuration; effect of.—A signature by "procuration" operates as notice that the agent has but a limited authority to sign, and the principal is bound only in case the agent in so signing acted within the actual limits of his authority.

§ 41. Effect of indorsement by infant or corporation.—The indorsement or assignment of the instrument by a corporation or by an infant passes the property therein, notwithstanding that from want of capacity the corporation or infant may incur no liability thereon.

§ 42. Forged signature; effect of.—Where a signature is forged or made without authority of the person whose signature it purports to be, it is wholly inoperative, and no right to retain the instrument, or to give a discharge therefor, or to enforce payment thereof against any party thereto, can be acquired through or under such signature, unless the party, against whom it is sought to enforce such right, is precluded from setting up the forgery or want of authority.

§ 43. Forged or unauthorized indorsements.—No national bank or banking organization as defined in the banking law shall be liable to a depositor for the payment by it of a check bearing a forged or unauthorized indorsement unless, within two years after the return to the depositor of the voucher of such payment, such depositor shall notify the bank that the check so paid bore such forged or unauthorized indorsement. (Added L. 1941, c. 87, eff. March 13, 1941.)

Article 4.
Consideration

Section 50. Presumption of consideration.
51. What constitutes consideration.
52. What constitutes holder for value.
53. When lien on instrument constitutes holder for value.
54. Effect of want of consideration.
55. Liability of accommodation party.

§ 50. Presumption of consideration.—Every negotiable instrument is deemed prima facie to have been issued for a valuable consideration; and every person whose signature appears thereon to have become a party thereto for value.

§ 51. What constitutes consideration.—Value is any consideration sufficient to support a simple contract. An antecedent or pre-existing debt constitutes value; and is deemed such whether the instrument is payable on demand or at a future time.

§ 52. What constitutes holder for value.—Where value has at any time been given for the instrument, the holder is deemed a holder for value in respect to all parties who became such prior to that time.

§ 53. When lien on instrument constitutes holder for value.—Where the holder has a lien on the instrument, arising either from contract or by implication of law, he is deemed a holder for value to the extent of his lien.

§ 54. Effect of want of consideration.—Absence or failure of consideration is matter of defense as against any person not a holder in due course; and partial failure of consideration is a defense pro tanto, whether the failure is an ascertained and liquidated amount or otherwise.

§ 55. Liability of accommodation party.—An accommodation party is one who has signed the instrument as maker, drawer, acceptor or indorser, without receiving value therefor, and for the purpose of lending his name to some other person. Such a person is liable on the instrument to a holder for value, notwithstanding such holder at the time of taking the instrument knew him to be only an accommodation party.

Article 5.
Negotiation.

Section 60. What constitutes negotiation.
61. Indorsement; how made.
62. Indorsement must be of entire instrument.
63. Kinds of indorsement.
64. Special indorsement; indorsement in blank.
65. Blank indorsement; how changed to special indorsement.
66. When indorsement restrictive.
67. Effect of restrictive indorsement; rights of indorsee.
68. Qualified indorsement.
69. Conditional indorsement.
70. Indorsement of instrument payable to bearer.
71. Indorsement where payable to two or more persons.
72. Effect of instrument drawn or indorsed to a person as cashier.
73. Indorsement where name is wrongfully designated or misspelled.
74. Indorsement in representative capacity.
75. Time of indorsement; presumption.
76. Place of indorsement; presumption.
77. Continuation of negotiable character.
78. Striking out indorsement.
79. Transfer without indorsement; effect of.
80. When prior party may negotiate instrument.

§ 60. What constitutes negotiation.—An instrument is negotiated when it is transferred from one person to another in such manner as to constitute the transferee the holder thereof. If payable to bearer it is negotiated by delivery; if payable to order it is negotiated by the indorsement of the holder completed by delivery.

§ 61. Indorsement; how made.—The indorsement must be written on the instrument itself or upon a paper attached thereto. The signature of the indorser, without additional words, is a sufficient indorsement.

§ 62. Indorsement must be of entire instrument.—The indorsement must be an indorsement of the entire instrument. An indorsement, which purports to transfer to the indorsee a part only of the amount payable, or which purports to transfer the instrument to two or more indorsees severally, does not operate as a negotiation of the instrument. But where the instrument has been paid in part, it may be indorsed as to the residue.

§ 63. Kinds of indorsement.—An indorsement may be either special or in blank; and it may also be either restrictive or qualified, or conditional.

§ 64. Special indorsement; indorsement in blank.—A special indorsement specifies the person to whom, or to whose order the instrument is to be payable; and the indorsement of such indorsee is necessary to the further negotiation of the instrument. An indorsement in blank specifies no indorsee, and an instrument so indorsed is payable to bearer, and may be negotiated by delivery.

§ 65. Blank indorsement; how changed to special indorsement.—The holder may convert a blank indorsement into a special indorsement by writing over the signature of the indorser in blank any contract consistent with the character of the indorsement.

§ 66. When indorsement restrictive.—An indorsement is restrictive, which either:

1. Prohibits the further negotiation of the instrument; or

2. Constitutes the indorsee the agent of the indorser; or

3. Vests the title in the indorsee in trust for or to the use of some other person.

But the mere absence of words implying power to negotiate does not make an indorsement restrictive.

§ 67. Effect of restrictive indorsement; rights of indorsee.—A restrictive indorsement confers upon the indorsee the right:

1. To receive payment of the instrument;

2. To bring any action thereon that the indorser could bring;

3. To transfer his rights as such indorsee, where the form of the indorsement authorizes him to do so.

But all subsequent indorsees acquire only the title of the first indorsee under the restrictive indorsement.

§ 68. Qualified indorsement.—A qualified indorsement constitutes the indorser a mere assignor of the title of the instrument. It may be made by adding to the indorser's signature the words "without recourse" or any words of similar import. Such an indorsement does not impair the negotiable character of the instrument.

§ 69. Conditional indorsement.—Where an indorsement is conditional, a party required to pay the instrument may disregard the condition and make payment to the indorsee or his transferee, whether the condition has been fulfilled or not. But any person to whom an instrument so indorsed is negotiated,will hold the same, or the proceeds thereof, subject to the rights of the person indorsing conditionally.

§ 70. Indorsement of instrument payable to bearer.—Where an instrument, payable to bearer, is indorsed specially, it may nevertheless be further negotiated by delivery; but the person indorsing specially is liable as indorser to only such holders as take title through his indorsement.

§ 71. Indorsement where payable to two or more persons.—Where an instrument is payable to the order of two or more payees or indorsees who are not partners, all must indorse, unless the one indorsing has authority to indorse for the others.

§ 72. Effect of instrument drawn or indorsed to a person as cashier.—Where an instrument is drawn or indorsed to a person as "cashier" or other fiscal officer of a bank or corporation, it is deemed prima facie to be payable to the bank or corporation of which he is such officer; and may be negotiated by either the indorsement of the bank or corporation, or the indorsement of the officer.

§ 73. Indorsement where name is wrongfully designated or misspelled.—Where the name of the payee or indorsee is wrongly designated or misspelled, he may indorse the instrument as therein described, adding, if he think fit, his proper signature.

§ 74. Indorsement in representative capacity.—Where any person is under obligation to indorse in a representative capacity, he may indorse in such terms as to negative personal liability.

§ 75. Time of indorsement; presumption.—Except where an indorsement bears date after the maturity of the instrument, every negotiation is deemed prima facie to have been effected before the instrument was overdue.

§ 76. Place of indorsement; presumption.—Except where the contrary appears every indorsement is presumed prima facie to have been made at the place where the instrument is dated.

§ 77. Continuation of negotiable character.—An instrument negotiable in its origin continues to be negotiable until it has been restrictively indorsed or discharged by payment or otherwise.

§ 78. Striking out indorsement.—The holder may at any time strike out any indorsement which is not necessary to his title. The indorser whose indorsement is struck out, and all indorsers subsequent to him, are thereby relieved from liability on the instrument.

§ 79. Transfer without indorsement; effect of.—Where the holder of an instrument payable to his order transfers it for value without indorsing it, the transfer vests in the transferee such title as the transferrer had therein, and the transferee acquires, in addition, the right to have the indorsement of the transferrer. But for the purpose of determining whether the transferee is a holder in due course, the negotiation takes effect as of the time when the indorsement is actually made.

§ 80. When prior party may negotiate instrument.—Where an instrument is negotiated back to a prior party, such party may, subject to the provisions of this chapter, re-issue and further negotiate the same. But he is not entitled to enforce payment thereof against any intervening party to whom he was personally liable.

Article 6.
Rights of Holder.

Section 90. Right of holder to sue; payment.
91. What constitutes a holder in due course.
92. When person not deemed holder in due course.
93. Notice before full amount paid.
94. When title defective.
95. What constitutes notice of defect.
96. Rights of holder in due course.
97. When subject to original defenses.
98. Who deemed holder in due course.

§ 90. Right of holder to sue; payment.—The holder of a negotiable instrument may sue thereon in his own name; and payment to him in due course discharges the instrument.

§ 91. What constitutes a holder in due course.—A holder in due course is a holder who has taken the instrument under the following conditions:

1. That it is complete and regular upon its face;
2. That he became the holder of it before it was overdue, and without notice that it had been previously dishonored, if such was the fact;
3. That he took it in good faith and for value;
4. That at the time it was negotiated to him he had no notice of any infirmity in the instrument or defect in the title of the person negotiating it.

§ 92. When person not deemed holder in due course.—Where an instrument payable on demand is negotiated an unreasonable length of time after its issue, the holder is not deemed a holder in due course.

§ 93. Notice before full amount paid.—Where the transferee receives notice of any infirmity in the instrument or defect in the title of the person negotiating the same before he has paid the full amount agreed to be paid therefor, he will be deemed a holder in due course only to the extent of the amount theretofore paid by him.

§ 94. When title defective.—The title of a person who negotiates an instrument is defective within the meaning of this chapter when he obtained the instrument, or any signature thereto, by fraud, duress, or force and fear, or other unlawful means, or for an illegal consideration, or when he negotiates it in breach of faith, or under such circumstances as amount to a fraud.

§ 95. What constitutes notice of defect.—To constitute notice of an infirmity in the instrument or defect in the title of the person negotiating the same, the person to whom it is negotiated must have had actual knowledge of the infirmity or defect, or knowledge of such facts that his action in taking the instrument amounted to bad faith, but the drawing or making of a check or other negotiable instrument by an officer or agent of a corporation against the account of, or in the name of such corporation, to himself as indorsee, and in either case the cashing of such check or other negotiable instrument or the deposit thereof to his personal account and whether such check or other negotiable instrument is drawn against an account standing in the name of such corporation, or in the name of such officer or agent of such corporation as such, shall not be sufficient to put a bank, banker or trust company on inquiry as to the authority of such officer or agent, or impute knowledge of any infirmity or defect in such check or other negotiable instrument, provided such bank, banker or trust company have on file an authorization from said corporation showing that the said officer or agent is authorized on behalf of the corporation to perform any of the above acts for unlimited or limited amounts, and that the amount of the said check or negotiable instrument does not exceed the maximum limits of the amount so contained in the authorization so filed for the said officer or agent, when such a limitation is contained therein. (Amended, L. 1927, c. 473, Sec. 1, eff. July 1, 1927.)

§ 96. Rights of holder in due course.—A holder in due course holds the instrument free from any defect of title of prior parties and free from defenses available to prior parties among themselves, and may enforce payment of the instrument for the full amount thereof against all parties liable thereon.

§ 97. When subject to original defenses.—In the hands of any holder other than a holder in due course, a negotiable instrument is subject to the same defenses as if it were non-negotiable. But a holder who derives his title through a holder in due course, and who is not himself a party to any fraud or illegality affecting the instrument, has all the rights of such former holder in respect of all parties prior to the latter.

§ 98. Who deemed holder in due course.—Every holder is deemed prima facie to be a holder in due course; but when it is shown that the title of any person who has negotiated the instrument was defective, the burden is on the holder to prove that he or some person under whom he claims acquired the title as a holder in due course. But the last-mentioned rule does not apply in favor of a party who became bound on the instrument prior to the acquisition of such defective title.

Article 7.
Liabilities of Parties.

Section 110. Liability of maker.
111. Liability of drawer.
112. Liability of acceptor.
113. When person deemed indorser.
114. Liability of irregular indorser.
115. Warranty; where negotiation by delivery.
116. Liability of general indorser.
117. Liability of indorser where paper negotiable by delivery.
118. Order in which indorsers are liable.
119. Liability of agent or broker.

§ 110. Liability of maker.—The maker of a negotiable instrument by making it engages that he will pay it according to its tenor; and admits the existence of the payee and his then capacity to indorse.

§ 111. Liability of drawer.—The drawer by drawing the instrument admits the existence of the payee and his then capacity to indorse; and engages that on due presentment the instrument will be accepted and paid, or both, according to its tenor, and that if it be dishonored and the necessary proceedings on dishonor be duly taken, he will pay the amount thereof, to the holder, or to any subsequent indorser who may be compelled to pay it. But the drawer may insert in the instrument an express stipulation negativing or limiting his own liability to the holder.

§ 112. Liability of acceptor.—The acceptor by accepting the instrument engages that he will pay it according to the tenor of his acceptance; and admits:

1. The existence of the drawer, the genuineness of his signature, and his capacity and authority to draw the instrument; and

2. The existence of the payee and his then capacity to indorse.

§ 113. When person deemed indorser.—A person placing his signature upon an instrument otherwise than as maker, drawer or acceptor is deemed to be an indorser, unless he clearly indicates by appropriate words his intention to be bound in some other capacity.

§ 114. Liability of irregular indorser.—Where a person, not otherwise a party to an instrument, places thereon his signature in blank before delivery, he is liable as indorser in accordance with the following rules:

1. If the instrument is payable to the order of a third person, he is liable to the payee and to all subsequent parties.

2. If the instrument is payable to the order of the maker or drawer, or is payable to bearer, he is liable to all parties subsequent to the maker or drawer.

3. If he signs for the accommodation of the payee he is liable to all parties subsequent to the payee.

§ 115. Warranty; where negotiation by delivery.—Every person negotiating an instrument by delivery or by a qualified indorsement, warrants:

1. That the instrument is genuine and in all respects what it purports to be;

2. That he has a good title to it;

3. That all prior parties had capacity to contract;

4. That he has no knowledge of any fact which would impair the validity of the instrument or render it valueless.

But when the negotiation is by delivery only, the warranty extends in favor of no holder other than the immediate transferee. The provisions of subdivision three of this section do not apply to persons negotiating public or corporate securities, other than bills and notes.

§ 116. Liability of general indorser.—Every indorser who indorses without qualification, warrants to all subsequent holders in due course:

1. The matter and things mentioned in subdivisions one, two and three of the next preceding section; and

2. That the instrument is at the time of his indorsement valid and subsisting.

And, in addition, he engages that on due presentation, it shall be accepted or paid, or both, as the case may be, according to its tenor, and that if it be dishonored, and the necessary proceedings on dishonor be duly taken, he will pay the amount thereof to the holder, or to any subsequent indorser who may be compelled to pay it.

§ 117. Liability of indorser where paper negotiable by delivery.—Where a person places his indorsement on an instrument negotiable by delivery he incurs all the liabilities of an indorser.

§ 118. Order in which indorsers are liable.—As respects one another, indorsers are liable prima facie in the order in which they indorse; but evidence is admissible to show that as between or among themselves they have agreed otherwise. Joint payees or joint indorsees who indorse are deemed to indorse jointly and severally.

§ 119. Liability of agent or broker.—Where a broker or other agent negotiates an instrument without indorsement, he incurs all the liabilities prescribed by section one hundred and fifteen of this chapter, unless he discloses the name of his principal, and the fact that he is acting only as agent.

Article 8.
Presentment for payment

Section 130. Effect of want of demand on principal debtor.
131. Presentment where instrument is not payable on demand.
132. What constitutes a sufficient presentment.
133. Place of presentment.
134. Instrument must be exhibited.
135. Presentment where instrument payable at bank.
136. Presentment where principal debtor is dead.
137. Presentment to persons liable as partners.
138. Presentment to joint debtors.
139. When presentment not required to charge the drawer.
140. When presentment not required to charge the indorser.
141. When delay in making presentment is excused.
142. When presentment may be dispensed with.
143. When instrument dishonored by non-payment.
144. Liability of person secondarily liable, when instrument dishonored.
145. Time of maturity.
146. Time; how computed.
147. Rule where instrument payable at bank.
148. What constituted payment in due course.

§ 130. Effect of want of demand on principal debtor.—Presentment for payment is not necessary in order to charge the person primarily liable on the instrument; but if the instrument is, by its terms, payable at a special place, and he is able and willing to pay it there at maturity and has funds there available for that purpose, such ability and willingness are equivalent to a tender of payment upon his part. But except as herein otherwise provided, presentment for payment is necessary in order to charge the drawer and indorsers.

§ 131. Presentment where instrument is not payable on demand.—Where the instrument is not payable on demand, presentment must be made on the day it falls due. Where it is payable on demand, presentment must be made within a reasonable time after its issue, except that in case of a bill of exchange, presentment for pay-

ment will be sufficient if made within a reasonable time after the last negotiation thereof.

§ 132. What constitutes a sufficient presentment.—Presentment for payment, to be sufficient, must be made:

1. By the holder, or by some person authorized to receive payment on his behalf;

2. At a reasonable hour on a business day;

3. At a proper place as herein defined;

4. To the person primarily liable on the instrument, or if he is absent or inaccessible, to any person found at the place where the presentment is made.

§ 133. Place of presentment.—Presentment for payment is made at the proper place:

1. Where a place of payment is specified in the instrument and it is there presented;

2. Where no place of payment is specified, but the address of the person to make payment is given in the instrument and it is there presented;

3. Where no place of payment is specified and no address is given and the instrument is presented at the usual place of business or residence of the person to make payment.

4. In any other case if presented to the person to make payment wherever he can be found, or if presented at his last known place of business or residence.

§ 134. Instrument must be exhibited.—The instrument must be exhibited to the person from whom payment is demanded, and when it is paid must be delivered up to the party paying it.

§ 135. Presentment where instrument payable at bank: Where the instrument is payable at a bank, presentment for payment must be made during banking hours, unless the person to make payment has no funds there to meet it at any time during the day, in which case presentment at any hour before the bank is closed on that day is sufficient.

§ 136. Presentment where principal debtor is dead.—Where the person primarily liable on the instrument is dead, and no place of payment is specified, presentment for payment must be made to his personal representative, if such there be, and if with the exercise of reasonable diligence, he can be found.

§ 137. Presentment to persons liable as partners.—Where the persons primarily liable on the instrument are liable as partners, and no place of payment is specified, presentment for payment may be made to any one of them, even though there has been a dissolution of the firm.

§ 138. Presentment to joint debtors.—Where there are several persons not partners, primarily liable on the instrument, and no place of payment is specified, presentment must be made to them all.

§ 139. When presentment not required to charge the drawer.—Presentment for payment is not required in order to charge the drawer where he has no right to expect or require that the drawee or acceptor will pay the instrument.

§ 140. When presentment not required to charge the indorser.—Presentment for payment is not required in order to charge an indorser where the instrument was made or accepted for his accommodation, and he has no reason to expect that the instrument will be paid if presented.

§ 141. When delay in making presentment is excused.—Delay in making presentment for payment is excused when the delay is caused by circumstances beyond the control of the holder and not imputable to his default, misconduct or negligence. When the cause of delay ceases to operate, presentment must be made with reasonable diligence.

§ 142. When presentment may be dispensed with.—Presentment for payment is dispensed with:

1. Where, after the exercise of reasonable diligence presentment as required by this chapter cannot be made;

2. Where the drawer is a fictitious person;

3. By waiver of presentment express or implied.

§ 143. When instrument dishonored by non-payment.—The instrument is dishonored by non-payment when:

1. It is duly presented for payment and payment is refused or can not be obtained; or

2. Presentment is excused and the instrument is overdue and unpaid.

§ 144. Liability of person secondarily liable, when instrument dishonored.—Subject to the provisions of this chapter, when the instrument is dishonored by non-payment, an immediate right of recourse to all parties secondarily liable thereon, accrues to the holder.

§ 145. Time of maturity.—Every negotiable instrument is payable at the time fixed therein without grace. When the day of maturity falls upon Sunday, or a holiday, the instrument is payable on the next succeeding business day. Instruments falling due or becoming payable on Saturday are to be presented for payment on the next succeeding business day, except that instruments payable on demand may, at the option of the holder, be presented for payment before twelve o'clock noon on Saturday when that entire day is not a holiday.

§ 146. Time; how computed.—Where the instrument is payable at a fixed period after date, after sight, or after the happening of a specified event, the time of payment is determined by excluding the day from which the time is to begin to run, and by including the date of payment.

§ 147. Rule where instrument payable at bank.—Where the instrument is made payable at a bank it is equivalent to an order to the bank to pay the same for the account of the principal debtor thereon.

§ 148. What constitutes payment in due course.—Payment is made in due course when it is made at or after the maturity of the instrument to the holder thereof in good faith and without notice that his title is defective.

Article 9.
Notice of Dishonor

Section 160. To whom notice of dishonor must be give
161. By whom given.
162. Notice given by agent.
163. Effect of notice given on behalf of holder.
164. Effect where notice is given by party entitled thereto.
165. When agent may give notice.
166. When notice sufficient.
167. Form of notice.
168. To whom notice may be given.
169. Notice where party is dead.
170. Notice to partners.
171. Notice to persons jointly liable.
172. Notice to bankrupt.
173. Time within which notice must be given.
174. Where parties reside in same place.
175. Where parties reside in different places.
176. When sender deemed to have given due notice.
177. Deposit in post office; what constitutes.
178. Notice to antecedent parties, time of.
179. Where notice must be sent.

Section 180. Waiver of notice.
181. Whom affected by waiver.
182. Waiver of protest.
183. When notice dispensed with.
184. Delay in giving notice; how excused.
185. When notice need not be given to drawer.
186. When notice need not be given to indorser.
187. Notice of non-payment where acceptance refused.
188. Effect of omission to give notice of non-acceptance.
189. When protest need not be made; when must be made.

§ 160. To whom notice of dishonor must be given.—Except as herein otherwise provided, when a negotiable instrument has been dishonored by non-acceptance or non-payment, notice of dishonor must be given to the drawer and to each indorser,and any drawer or indorser to whom such notice is not given is discharged.

§ 161. By whom given.—The notice may be given by or on behalf of the holder, or by or on behalf of any party to the instrument who might be compelled to pay it to the holder, and who, upon taking it up, would have a right to reimbursement from the party to whom the notice is given.

§ 162. Notice given by agent.—Notice of dishonor may be given by an agent either in his own name or in the name of any party entitled to give notice, whether that party be his principal or not.

§ 163. Effect of notice given on behalf of holder.—Where notice is given by or on behalf of the holder, it inures for the benefit of all subsequent holders and all prior parties who have a right of recourse against the party to whom it is given.

§ 164. Effect where notice is given by party entitled thereto.—Where notice is given by or on behalf of a party entitled to give notice, it inures for the benefit of the holder and all parties subsequent to the party to whom notice is given.

§ 165. When agent may give notice.—Where the instrument has been dishonored in the hands of an agent, he may either himself give notice to the parties liable thereon, or he may give notice to his principal. If he give notice to his principal, he must do so within the same time as if he were the holder, and the principal, upon the receipt of such notice, has himself the same time for giving notice as if the agent had been an independent holder.

§ 166. When notice sufficient.—A written notice need not be signed and an insufficient written notice may be supplemented and validated by verbal communication. A misdescription of the instrument does not vitiate the notice unless the party to whom the notice is given is in fact misled thereby.

§ 167. Form of notice.—The notice may be written or merely oral, and may be given in any terms which sufficiently identify the instrument, and indicate that it has been dishonored by non-acceptance or non-payment. It may in all cases be given by delivering it personally or through the mails.

§ 168. To whom notice may be given.—Notice of dishonor may be given either to the party himself or to his agent in that behalf.

§ 169. Notice where party is dead.—When any party is dead, and his death is known to the party giving notice, the notice must be given to a personal representative, if there be one, and if with reasonable diligence he can be found. If there be no personal representative, notice may be sent to the last residence or last place of business of the deceased.

§ 170. Notice to partners.—Where the parties to be notified are partners notice to any one partner is notice to the firm even though there has been a dissolution.

§ 171. Notice to persons jointly liable.—Notice to joint parties who are not partners must be given to each of them, unless one of them has authority to receive such notice for the others.

§ 172. Notice to bankrupt.—Where a party has been adjudged a bankrupt or an insolvent, or has made an assignment for the benefit of creditors, notice may be given either to the party himself or to his trustee or assignee.

§ 173. Time within which notice must be given.—Notice may be given as soon as the instrument is dishonored; and unless delay is excused as hereinafter provided, must be given within the times fixed by this chapter.

§ 174. Where parties reside in the same place.—Where the person giving and the person to receive notice reside in the same place, notice must be given within the following times:

1. If given at the place of business of the person to receive notice, it must be given before the close of business hours on the day following;

2. If given at his residence, it must be given before the usual hours of rest on the day following;

3. If sent by mail, it must be deposited in the post office in time to reach him in usual course on the day following.

§ 175. Where parties reside in different places.—Where the person giving and the person to receive notice reside in different places, the notice must be given within the following times:

1. If sent by mail, it must be deposited in the post office in time to go by mail the day following the day of dishonor, or if there be no mail at a convenient hour on that day, by the next mail thereafter.

2. If given otherwise than through the post office, then within the time that notice would have been received in due course of mail, if it had been deposited in the post office within the time specified in the last subdivision.

§ 176. When sender deemed to have given due notice.—Where notice of dishonor is duly addressed and deposited in the post office, the sender is deemed to have given due notice, notwithstanding any miscarriage in the mails.

§ 177. Deposit in post office; what constitutes.—Notice is deemed to have been deposited in the post office when deposited in any branch post office or in any letter-box under the control of the post office department.

§ 178. Notice to antecedent party; time of.—Where a party receives notice of dishonor, he has, after the receipt of such notice, the same time for giving notice to antecedent parties that the holder has after the dishonor.

§ 179. Where notice must be sent.—Where a party has added an address to his signature, notice of dishonor must be sent to that address: but if he has not given such address, then the notice must be sent as follows:

1. Either to the post office nearest to his place of residence, or to the post office where he is accustomed to receive his letters; or

2. If he live in one place, and have his place of business in another, notice may be sent to either place; or

3. If he is sojourning in another place, notice may be sent to the place where he is so sojourning.

But where the notice is actually received by the party within the same specified in this chapter, it will be sufficient, though not sent in accordance with the requirements of this section.

§ 180. Waiver of Notice.—Notice of dishonor may be waived, either before the time of giving notice has arrived, or after the omission to give due notice, and the waiver may be express or implied.

§ 181. Whom affected by waiver.—Where the waiver is embodied in the instrument itself, it is binding upon all parties, but where it is written above the signature of an indorser, it binds him only.

§ 182. Waiver of protest.—A waiver of protest, whether in the case of a foreign bill of exchange or other negotiable instrument, is deemed to be a waiver not only of a formal protest, but also of presentment and notice of dishonor.

§ 183. When notice is dispensed with.—Notice of dishonor is dispensed with when, after the exercise of reasonable diligence, it cannot be given to or does not reach the parties sought to be charged.

§ 184. Delay in giving notice; how excused.—Delay in giving notice of dishonor is excused when the delay is caused by circumstances beyond the control of the holder and not imputable to his default, misconduct or negligence. When the cause of delay ceases to operate, notice must be given with reasonable diligence.

§ 185. When notice need not be given to drawer.—Notice of dishonor is not required to be given to the drawer in either of the following cases:

1. Where the drawer and drawee are the same person;
2. Where the drawee is a fictitious person or a person not having capacity to contract;
3. Where the drawer is the person to whom the instrument is presented for payment.
4. Where the drawer has no right to expect or require that the drawee or acceptor will honor the instrument;
5. Where the drawer has countermanded payment.

§ 186. When notice need not be given to indorser.—Notice of dishonor is not required to be given to an indorser in either of the following cases:

1. Where the drawee is a fictitious person or a person not having capacity to contract, and the indorser was aware of the fact at the time he indorsed the instrument;
2. Where the indorser is the person to whom the instrument is presented for payment;
3. Where the instrument was made or accepted for his accommodation.

§ 187. Notice of non-payment where acceptance refused.—Where due notice of dishonor by non-acceptance has been given, notice of a subsequent dishonor by non-payment is not necessary, unless in the meantime the instrument has been accepted.

§ 188. Effect of omission to give notice of non-acceptance.—An omission to give notice of dishonor by non-acceptance does not prejudice the rights of a holder in due course subsequent to the omission.

§ 189. When protest need not be made; when must be made.—Where any negotiable instrument has been dishonored it may be protested for non-acceptance or non-payment, as the case may be; but protest is not required, except in the case of foreign bills of exchange.

Article 10.
Discharge.

Section 200. Instrument; how discharged.
201. When persons secondarily liable on, discharged.
202. Right of party who discharges instrument.
203. Renunciation by holder.
204. Cancellation; unintentional; burden of proof.
205. Alteration of instrument; effect of.
206. What constitutes a material alteration.

§ 200. Instrument; how discharged.—A negotiable instrument is discharged:

1. By payment in due course by or on behalf of the principal debtor;
2. By payment in due course by the party accommodated, where the instrument is made or accepted for accommodation;
3. By the intentional cancellation thereof by the holder;
4. By any other act which will discharge a simple contract for the payment of money;
5. When the principal debtor becomes the holder of the instrument at or after maturity in his own right.

§ 201. When persons secondarily liable on, discharged.—A person secondarily liable on the instrument is discharged.

1. By any act which discharges the instrument.
2. By the intentional cancellation of his signature by the holder;
3. By the discharge of a prior party;
4. By a valid tender of payment made by a prior party.
5. By the release of the principal debtor, unless the holder's right of recourse against the party secondarily liable is expressly reserved;
6. By any agreement binding upon the holder to extend the time of payment or to postpone the holder's right to enforce the instrument, unless the right of recourse against such party is expressly reserved.

§ 202. Right of party who discharges instrument.—Where the instrument is paid by a party secondarily liable thereon, it is not discharged; but the party so paying it is remitted to his former rights as regards all prior parties, and he may strike out his own and all subsequent indorsements, and again negotiate the instrument, except;

1. Where it is payable to the order of a third person, and has been paid by the drawer; and
2. Where it was made or accepted for accommodation, and has been paid by the party accommodated.

§ 203. Renunciation by holder.—The holder may expressly renounce his rights against any party to the instrument, before, at or after its maturity. An absolute and unconditional renunciation of his rights against the principal debtor made at or after the maturity of the instrument, discharges the instrument. But a renunciation does not affect the rights of a holder in due course without notice. A renunciation must be in writing, unless the instrument is delivered up to the person primarily liable thereon.

§ 204. Cancellation; unintentional; burden of proof.—A cancellation made unintentionally, or under a mistake, or without the authority of the holder, is inoperative; but where an instrument or any signature thereon appears to have been canceled the burden of proof lies on the party who alleges that the cancellation was made unintentionally, or under a mistake or without authority.

§ 205. Alteration of instrument; effect of.—Where a negotiable instrument is materially altered without the assent of all parties liable thereon, it is avoided, as against a party who has himself made, authorized or assented to the alteration and subsequent indorsers. But

when an instrument has been materially altered and is in the hands of a holder in due course, not a party to the alteration, he may enforce payment thereof according to its original tenor.

§ 206. What constitutes a material alteration.—Any alteration which changes:

1. The date;
2. The sum payable, either for principal or interest;
3. The time or place of payment;
4. The number or the relations of the parties;
5. The medium or currency in which payment is to be made;

Or which adds a place of payment where no place of payment is specified, or any other change or addition which alters the effect of the instrument in any respect, is a material alteration.

Article 11.
Bills of Exchange; Form and Interpretation.

Section 210. Bill of exchange defined.
211. Bill not an assignment of funds in hands of drawee.
212. Bill addressed to more than one drawee.
213. Inland and foreign bills of exchange.
214. When bill may be treated as promisory note.
215. Referee in case of need.

§ 210. Bill of exchange defined.—A bill of exchange is an unconditional order in writing addressed by one person to another, signed by the person giving it, requiring the person to whom it is addressed to pay on demand or at a fixed or determinable future time a sum certain in money to order or to bearer.

§ 211. Bill not an assignment of funds in hands of drawee.—A bill of itself does not operate as an assignment of the funds in the hands of the drawee available for the payment thereof and the drawee is not liable on the bill unless and until he accepts the same.

§ 212. Bill addressed to more than one drawee.—A bill may be addressed to two or more drawees jointly, whether they are partners or not; but not to two or more drawees in the alternative or in succession.

§ 213. Inland and foreign bills of exchange.—An inland bill of exchange is a bill which is, or on its face purports to be, both drawn and payable within this state. Any other bill is a foreign bill. Unless the contrary appears on the face of the bill, the holder may treat it as an inland bill.

§ 214. When bill may be treated as promissory note.—Where in a bill the drawer and drawee are the same person, or where the drawee is a fictitious person, or a person not having capacity to contract, the holder may treat the instrument, at his option, either as a bill of exchange or a promissory note.

§ 215. Referee in case of need.—The drawer of a bill and any indorser may insert thereon the name of a person to whom the holder may resort in case of need, that is to say, in case the bill is dishonored by non-acceptance or non-payment. Such person is called the referee in case of need. It is in the option of the holder to resort to the referee in case of need or not as he may see fit.

Article 12.
Acceptance.

Section 220. Acceptance, how made.
221. Holder entitled to acceptance on face of bill.
222. Acceptance by separate instrument.
223. Promise to accept; when equivalent to acceptance.
224. Time allowed drawee to accept.
225. Liability of drawee retaining or destroying bill.
226. Acceptance of incomplete bill.
227. Kinds of acceptances.
228. What constitutes a general acceptance.
229. Qualified acceptance.
230. Rights of parties as to qualified acceptance.

§ 220. Acceptance; how made.—The acceptance of a bill is the signification by the drawee of his assent to the order of the drawer. The acceptance must be in writing and signed by the drawee. It must not express that the drawee will perform his promise by any other means than the payment of money.

§ 221. Holder entitled to acceptance on face of bill.—The holder of a bill presenting the same for acceptance may require that the acceptance be written on the bill, and if such request is refused, may treat the bill as dishonored.

§ 222. Acceptance by separate instrument.—Where an acceptance is written on a paper other that the bill itself, it does not bind the acceptor, except in favor of a person to whom it is shown and who, on the faith thereof receives the bill for value.

§ 223. Promise to accept; when equivalent to acceptance.—An unconditional promise in writing to accept a bill before it is drawn is deemed an actual acceptance in favor of every person who, upon the faith thereof, receives the bill for value.

§ 224. Time allowed drawee to accept.—The drawee is allowed twenty-four hours after presentment in which to decide whether or not he will accept the bill; but the acceptance if given dates as of the day of presentation.

§ 225. Liability of drawee retaining or destroying bill.—Where a drawee to whom a bill is delivered for acceptance destroys the same, or refuses within twenty-four hours after such delivery, or within such other period as the holder may allow, to return the bill accepted or non-accepted to the holder, he will be deemed to have accepted the same.

§ 226. Acceptance of incomplete bill.—A bill may be accepted before it has been signed by the drawer, or while otherwise incomplete, or when it is overdue, or after it has been dishonored by a previous refusal to accept, or by non-payment. But when a bill payable after sight is dishonored by non-acceptance and the drawee subsequently accepts it, the holder, in the absence of any different agreement, is entitled to have the bill accepted as of the date of the first presentment.

§ 227. Kinds of acceptances.—An acceptance is either general or qualified. A general acceptance assents without qualification to the order of the drawer. A qualified acceptance in express terms varies the effect of the bill as drawn.

§ 228. What constitutes a general acceptance.—An acceptance to pay at a particular place is a general acceptance unless it expressly states that the bill is to be paid there only and not elsewhere.

§ 229. Qualified acceptance.—An acceptance is qualified which is:

1. Conditional, that is to say, which makes payment by the acceptor dependent on the fulfilment of a condition therein stated;
2. Partial, that is to say, an acceptance to pay part only of the amount for which the bill is drawn;

3. Local, that is to say, an acceptance to pay only at a particular place;
4. Qualified as to time;
5. The acceptance of some one or more of the drawees, but not of all.

§ 230. Rights of parties as to qualified acceptance.—The holder may refuse to take a qualified acceptance, and if he does not obtain an unqualified acceptance, he may treat the bill as dishonored by non-acceptance. Where a qualified acceptance is taken, the drawer and indorsers are discharged from liability on the bill, unless they have expressly or impliedly authorized the holder to take a qualified acceptance, or subsequently assent thereto. When the drawer or an indorser receives notice of a qualified acceptance, he must within a reasonable time express his dissent to the holder, or he will be deemed to have assented thereto.

Article 13.
Presentment for Acceptance.

Section 240. When presentment for acceptance must be made.
241. When failure to present releases drawer and indorser.
242. Presentment; how made.
243. On what days presentment may be made.
244. Presentment where time is insufficient.
245. When presentment is excused.
246. When dishonored by non-acceptance.
247. Duty of holder where bill not accepted.
248. Rights of holder where bill not accepted.

§ 240. When presentment for acceptance must be made.—Presentment for acceptance must be made:
1. Where the bill is payable after sight, or in any other case where presentment for acceptance is necessary in order to fix the maturity of the instrument; or
2. Where the bill expressly stipulates that it shall be presented for acceptance; or
3. Where the bill is drawn payable elsewhere than at the residence or place of business of the drawee.

In no other case is presentment for acceptance necessary in order to render any party to the bill liable.

§ 241. When failure to present releases drawer and indorser.—Except as herein otherwise provided. the holder of a bill which is required by the next preceding section to be presented for acceptance must either present it for acceptance or negotiate it within a reasonable time. If he fails to do so, the drawer and all indorsers are discharged.

§ 242. Presentment; how made.—Presentment for acceptance must be made by or on behalf of the holder at a reasonable hour, on a business day, and before the bill is overdue, to the drawee or some person authorized to accept or refuse acceptance on his behalf; and
1. Where a bill is addressed to two or more drawees who are not partners, presentment must be made to them all, unless one has authority to accept or refuse acceptance for all, in which case presentment may be made to him only;
2. Where the drawee is dead, presentment may be made to his personal representative;
3. Where the drawee has been adjudged a bankrupt or an insolvent, or has made an assignment for the benefit of creditors, presentment may be made to him or to his trustee or assignee.

§ 243. On what days presentment may be made.—A bill may be presented for acceptance on any day on which negotiable instruments may be presented for payment under the provisions of sections one hundred and thirty-two and one hundred and forty-five of this chapter. When Saturday is not otherwise a holiday, presentment for acceptance may be made before twelve o'clock noon on that day.

§ 244. Presentment when time is insufficient.—Where the holder of a bill drawn payable elsewhere than at the place of business or the residence of the drawee has not time with the exercise of reasonable diligence to present the bill for acceptance before presenting it for payment on the day that it falls due, the delay caused by presenting the bill for acceptance before presenting it for payment is excused and does not discharge the drawers and indorsers.

§ 245. Where presentment is excused.—Presentment for acceptance is excused and a bill may be treated as dishonored by non-acceptance in either of the following cases:
1. Where the drawee is dead or has absconded, or is a fictitious person or a person not having capacity to contract by bill;
2. Where, after the exercise of reasonable diligence, presentment cannot be made:
3. Where, although presentment has been irregular, acceptance has been refused on some other ground.

§ 246. When discharged by non-acceptance.—A bill is dishonored by non-acceptance:
1. When it is duly presented for acceptance, and such an acceptance as is prescribed by this chapter is refused or cannot be obtained; or
2. When presentment for acceptance is excused and the bill is not accepted.

§ 247. Duty of holder where bill not accepted.—Where a bill is duly presented for acceptance and is not accepted within the prescribed time, the person presenting it must treat the bill as dishonored by non-acceptance or he loses the right of recourse against the drawer and indorsers.

§ 248. Rights of holder where bill not accepted.—When a bill is dishonored by non-acceptance, an immediate right of recourse against the drawers and indorsers accrues to the holder, and no presentment for payment is necessary.

Article 14.
Protest

Section 260. In what cases protest necessary.
261. Protest; how made.
262. Protest; by whom made.
263. Protest; when to be made.
264. Protest; where made.
265. Protest both for non-acceptance and non-payment.
266. Protest before maturity where acceptor insolvent.
267. When protest dispensed with.
268. Protest where bill is lost or destroyed or wrongfully detained.

§ 260. In what cases protest necessary.—Where a foreign bill appearing on its face to be such is dishonored by non-acceptance, it must be duly protested for non-acceptance, and where such a bill which has not previously been dishonored by non-acceptance is dishonored by non-payment, it must be duly protested for non-payment. If it is not so protested, the drawer and indorsers are discharged. Where a bill does not appear

on its face to be a foreign bill, protest thereof in case of dishonor is unnecessary.

§ 261. Protest; how made.—The protest must be annexed to the bill, or must contain a copy thereof, and must be under the hand and seal of the notary making it, and must specify:

1. The time and place of presentment;
2. The fact that presentment was made and the manner thereof;
3. The cause or reason for protesting the bill;
4. The demand made and the answer given, if any, or the fact that the drawee or acceptor could not be found.

§ 262. Protest; by whom made.—Protest may be made by:

1. A notary public; or
2. By any respectable resident of the place where the bill is dishonored, in the presence of two or more credible witnessses.

§ 263. Protest; when to be made.—When a bill is protested, such protest must be made on the day of its dishonor, unless delay is excused as herein provided. When a bill has been duly noted, the protest may be subsequently extendedly as of the date of the noting.

§ 264. Protest; where made.—A bill must be protested at the place where it is dishonored, except that when a bill drawn payable at the place of business or residence of some person other than the drawee, has been dishonored by non-acceptance, it must be protested for non-payment at the place where it is expressed to be payable, and no further presentment for payment to, or demand on, the drawee is necessary.

§ 265. Protest both for non-acceptance and non-payment.—A bill which has been protested for non-acceptance may be subsequently protested for non-payment.

§ 266. Protest before maturity where acceptor insolvent.—Where the acceptor has been adjudged a bankrupt or an insolvent, or has made an assignment for the benefit of creditors, before the bill matures, the holder may cause the bill to be protested for better security against the drawer and indorsers.

§ 267. When protest dispensed with.—Protest is dispensed with by any circumstances which would dispense with notice of dishonor. Delay in noting or protesting is excused when delay is caused by circumstances beyond the control of the holder and not imputable to his default, misconduct, or negligence. When the cause of delay ceases to operate, the bill must be noted or protested with reasonable diligence.

§ 268. Protest where bill is lost or destroyed or wrongfully detained.—Where a bill is lost or destroyed, or is wrongly detained from the person entitled to hold it, protest may be made on a copy or written particulars thereof.

Article 15

Acceptance for Honor.

Section 280. When bill may be accepted for honor.
281. Acceptance for honor; how made.
282. When deemed to be an acceptance for honor of the drawer.
283. Liability of acceptor for honor.
284. Agreement of acceptor for honor.
285. Maturity of bill payable after sight; accepted for honor.
286. Protest of bill accepted for honor or containing a reference in case of need.
287. Presentment for payment to acceptor for honor; how made.
288. When delay in making presentment is excused.
289. Dishonor of bill by acceptor for honor.

§ 280. When bill may be accepted for honor.—Where a bill of exchange has been protested for dishonor by non-acceptance or protested for better security and is not overdue, any person not being a party already liable thereon may, with the consent of the holder, intervene and accept the bill supra protest for the honor of any party liable thereon or for the honor of the person for whose account the bill is drawn. The acceptance for honor may be for part only of the sum for which the bill is drawn; and where there has been an acceptance for honor for one party, there may be further acceptance by a different person for the honor of another party.

§ 281. Acceptance for honor; how made.—An acceptance for honor supra protest must be in writing and indicate that it is an acceptance for honor, and must be signed by the acceptor for honor.

§ 282. When deemed to be an acceptance for honor of the drawer.—Where an acceptance for honor does not expressly state for whose honor it is made, it is deemed to be an acceptance for the honor of the drawer.

§ 283. Liability of acceptor for honor.—The acceptor for honor is liable to the holder and to all parties to the bill subsequent to the party for whose honor he has accepted.

§ 284. Agreement of acceptor for honor.—The acceptor for honor by such acceptance engages that he will on due presentment pay the bill according to the terms of his acceptance, provided it shall not have been paid by the drawee, and provided also that it shall have been duly presented for payment and protested for non-payment and notice of dishonor given to him.

§ 285. Maturity of bill payable after sight; accepted for honor.—Where a bill payable after sight is accepted for honor, its maturity is calculated from the date of the noting for non-acceptance and not from the date of the acceptance for honor.

§ 286. Protest of bill accepted for honor or containing a reference in case of need.—Where a dishonored bill has been accepted for honor supra protest or contains a reference in case of need, it must be protested for non-payment before it is presented for payment to the acceptor for honor or referee in case of need.

§ 287. Presentment for payment to acceptor for honor; how made.—Presentment for payment to the acceptor for honor must be made as follows:

1. If it is to be presented in the place where the protest for non-payment was made, it must be presented not later than the day following its maturity.
2. If it is to be presented in some other place than the place where it was protested, then it must be forwarded within the time specified in section one hundred and seventy-five.

§ 288. When delay in making presentment is excused.—The provisions of section one hundred and forty-one apply where there is delay in making presentment to the acceptor for honor or referee in case of need.

§ 289. Dishonor of bill by acceptor for honor.—When the bill is dishonored by the acceptor for honor it must be protested for non-payment by him.

Article 16.
Payment for Honor.

Section 300. Who may make payment for honor.
301. Payment for honor; how made.
302. Declaration before payment for honor.
303. Preference of parties offering to pay for honor.
304. Effect on subsequent parties where bill is paid for honor.
305. Where holder refuses to receive payment supra protest.
306. Rights of payer for honor.

§ 300. Who may make payment for honor.—Where a bill has been protested for non-payment, any person may intervene and pay it supra protest for the honor of any person liable thereon or for the honor of the person for whose account it was drawn.

§ 301. Payment for honor; how made.—The payment for honor supra protest in order to operate as such and not as a mere voluntary payment must be attested by a notarial act of honor which may be appended to the protest or form an extension to it.

§ 302. Declaration before payment for honor.—The notarial act of honor must be founded on a declaration made by the payer for honor or by his agent in that behalf declaring his intention to pay the bill for honor and for whose honor he pays.

§ 303. Preference of parties offering to pay for honor.—Where two or more persons offer to pay a bill for the honor of different parties, the person whose payment will discharge most parties to the bill is to be given the preference.

§ 304. Effect on subsequent parties where bill is paid for honor.—Where a bill has been paid for honor all parties subsequent to the party for whose honor it is paid are discharged, but the payer for honor is subrogated for, and succeeds to, both the rights and duties of the holder as regards the party for whose honor he pays and all parties liable to the latter.

§ 305. Where holder refuses to receive payment supra protest.—Where the holder of a bill refused to receive payment supra protest, he loses his right of recourse against any party who would have been discharged by such payment.

§ 306. Rights of payer for honor.—The payer for honor on paying to the holder the amount of the bill and the notarial expenses incidental to its dishonor, is entitled to receive both the bill itself and the protest.

Article 17.
Bills in Sets.

Section 310. Bill in sets constitute one bill.
311. Rights of holders where different parts are negotiated.
312. Liability of holder who indorses two or more parts of a set to different persons.
313. Acceptance of bills drawn in sets.
314. Payment by acceptor of bills drawn in sets.
315. Effect of discharging one of a set.

§ 310. Bill in sets constitutes one bill.—Where a bill is drawn in a set, each part of the set being numbered and containing a reference to the other part, the whole of the parts constitutes one bill.

§ 311. Rights of holders where different parts are negotiated.—Where two or more parts of a set are negotiated to different holders in due course, the holder whose title first accrues is as between such holders the true owner of the bill. But nothing in this section affects the rights of a person who in due course accepts or pays the part first presented to him.

§ 312. Liability of holder who indorses two or more parts of a set to different persons.—Where the holder of a note indorses two or more parts to different persons he is liable on every such part, and every indorser subsequent to him is liable on the part he has himself indorsed, as if such parts were separate bills.

§ 313. Acceptance of bills drawn in sets.—The acceptance may be written on any part and it must be written on one part only. If the drawee accepts more than one part, and such accepted parts are negotiated to different holders in due course, he is liable on every such part as if it were a separate bill.

§ 314. Payment by acceptor of bills drawn in sets.—When the acceptor of a bill drawn in a set pays it without requiring the part bearing his acceptance to be delivered up to him, and that part at maturity is outstanding in the hands of a holder in due course, he is liable to the holder thereon.

§ 315. Effect of discharging one of a set.—Except as herein otherwise provided, where any one part of a bill drawn in a set is discharged by payment or otherwise the whole bill is discharged.

Article 18.
Promissory Notes and Checks.

Section 320. Promissory note defined.
321. Check defined.
322. Within what time a check must be presented.
323. Certification of check; effect of.
324. Effect where holder of check procures it to be certified.
325. When check operates as an assignment.
325-a. No stopping payment after certification.
326. Recovery of forged check.
327. Saturday afternoon bank transactions.

§ 320. Promissory note defined.—A negotiable promissory note within the meaning of this chapter is an unconditional promise in writing made by one person to another signed by the maker, engaging to pay on demand or at a fixed or determinable future time, a sum certain in money to order or to bearer. Where a note is drawn to the maker's own order, it is not complete until indorsed by him.

§ 321. Check defined.—A check is a bill of exchange drawn on a bank payable on demand. Except as herein otherwise provided, the provisions of this chapter applicable to a bill of exchange payable on demand apply to a check.

§ 322. --Within what time a check must be presented.—A check must be presented for payment within a reasonable time after its issue or the drawer will be discharged from liability thereon to the extent of the loss caused by the delay.

§ 323. Certification of check; effect of.—Where a check is certified by the bank on which it is drawn the certification is equivalent to an acceptance.

§ 324. Effect where the holder of check procures it to be certified.—Where the holder of a check procures it to be accepted or certified the drawer and all indorsers are discharged from liability thereon.

§ 325. When check operates as an assignment.—A check of itself does not operate as an assignment of any part of the funds to the credit of the drawer with the

bank, and the bank is not liable to the holder, unless and until it accepts or certifies the check.

§ 325-a. No stopping payment after certification.—A bank, banker or trust company which has certified a check, note or other instrument for the payment of money at the request of the drawer, payee or holder thereof shall not thereafter be required to stop or refuse payment thereof upon the order, demand or request of the drawer or of any other party thereto.

(Added by L. 1944, c. 537, eff. April 15, 1944.)

§ 326. Recovery of forged check.—No bank shall be liable to a depositor for the payment by it of a forged or raised check, inless within one year after the return to the depositor of the voucher of such payment, such depositor shall notify the bank that the check so paid was forged or raised.

§ 327. Saturday afternoon bank transactions.—Nothing in any law of this state shall in any manner whatsoever affect the validity of, or render void or voidable, the payment, certification or acceptance of a check or other negotiable instrument or any other transaction by a bank or trust company in this state, because done or performed on any Saturday between twelve o'clock noon and midnight, provided such payment, certification, acceptance, or other transaction would be valid if done or performed before twelve o'clock noon on such Saturday; provided, further, that nothing herein shall be construed to compel any bank or trust company in this state, which by law or custom is entitled to close at twelve o'clock noon on any Saturday, to keep open for the transaction of business or to perform any of the acts or transactions aforesaid, on any Saturday after such hour except at its own option.

(Added by L. 1929, c. 588, eff. April 12, 1929.)

Article 19.
Notes Given for Patent Rights and for a Speculative Consideration.

Section 330. Negotiable instruments given for patent rights.
331. Negotiable instruments given for a speculative consideration.
332. How negotiable bonds are made non-negotiable.

§ 330. Negotiable instruments given for patent rights.—A promissory note or other negotiable instrument, the consideration of which consists wholly or partly of the right to make, use or sell any invention claimed or represented by the vendor at the time of sale to be patented, must contain the words "given for a patent right" prominently and legibly written or printed on the face of such note or instrument above the signature thereto, and such note or instrument in the hands of any purchaser or holder is subject to the same defenses as in the hands of the original holder; but this section does not apply to a negotiable instrument given solely for the purchase price or the use of a patented article.

§ 331. Negotiable instruments for a speculative consideration.—If the consideration of a promissory note or other negotiable instrument consists in whole or in part of the purchase price of any farm product, at a price greater by at least four times than the fair market value of the same product at the time in the locality, or of the membership and rights in an association, company or combination to produce or sell any farm product at a fictitious rate, or of a contract or bond to purchase or sell any farm product at a price greater by four times than the market value of the same product at the time in the locality, the words, "given for a speculative consideration," or other words clearly showing the nature of the consideration must be prominently and legibly written or printed on the face of such note or instrument above the signature thereof; and such note or instrument, in the hands of any purchaser or holder, is subject to the same defenses as in the hands of the original owner or holder.

§ 332. How negotiable bonds are made non-negotiable.—The owner or holder of any corporate bond or obligation (except such as are designated to circulate as money, payable to bearer), heretofore or hereafter issued in and payable in this state, but not registered in pursuance of any State law, may make such bond or obligation, or the interest coupon accompanying the same, non-negotiable, by subscribing his name to a statement indorsed thereon, that such bond, obligation or coupon is his property; and thereon the principal sum, therein mentioned is payable only to such owner or holder, or his legal representatives or assigns, unless such bond, obligation or coupon be transferred by indorsement in blank or payable to bearer, or to order, with the addition of the assignor's place of residence. Nothing contained in this section, however, shall apply to an obligation issued pursuant to the local finance law.

(Amended by L. 1943, c. 710, pt. 1, Sec. 1600, eff. Sept. 2, 1945; L. 1945, c. 838, Sec. 44, eff. Sept. 2, 1945.)

Article 19A
Provisions for Bank Collections.
(This entire Article added by L. 1929, c. 589, Sec. 1, eff. April 12, 1929.)

Section 350. Definitions.
350-a. Bank as agent for collection.
350-b. Item on same bank.
350-c. Legal effect of indorsements.
350-d. Duty and responsibility of bank collecting agents.
350-e. Rules of ordinary care in forwarding and presentment.
350-f. Items received through mail.
350-g. Items lost in transit.
350-h. Medium of payment.
350-i. Medium of remittance.
350-j. Election to treat as dishonored items presented by mail.
350-k. Notice of dishonor of items presented by mail.
350-l. Insolvency and preferences.

§ 350. Definitions.—For the purposes of this article:

(a) Bank. The term "bank" shall include any person, firm or corporation engaged in the business of receiving and paying deposits of money within this state. A branch or office of any such bank shall be deemed a bank.

(b) Item. The term "item" means any check, note or other instrument providing for the payment of money.

§ 350-a. Bank as agent for collection.—Except as otherwise provided by agreement and except as to subsequent holders of a negotiable instrument payable to bearer or indorsed specially or in blank, where an item is deposited or received for collection, the bank of deposit shall be agent of the depositor for its collection and each subsequent collecting bank shall be sub-agent of the depositor but shall be authorized to follow the instructions of its immediate forwarding bank and any

credit given by any such agreement or sub-agent bank therefor shall be revocable until such time as the proceeds are received in actual money or an unconditional credit given on the books of another bank, which such agent has requested or accepted. Where any such bank allows any revocable credit for an item to be withdrawn, such agency relation shall nevertheless continue except the bank shall have all the rights of an owner thereof against prior and subsequent parties to the extent of the amount withdrawn.

§ 350-b. Item on same bank.—A credit given by a bank for an item drawn on or payable at such bank shall be provisional, subject to revocation at or before the end of the day on which the item is deposited in the event the item is found not payable for any reason. Whenever a credit is given for an item deposited after banking hours such right of revocation may be exercised during the following business day.

§ 350-c. Legal effect of indorsements.—An indorsement of an item by the payee or other depositor "for deposit" shall be deemed a restrictive indorsement and indicate that the indorsee bank is an agent for collection and not owner of the item.

An indorsement "pay any bank or banker" or having equivalent words shall be deemed a restrictive indorsement and shall indicate the creation of an agency relation in any subsequent bank to whom the paper is forwarded unless coupled with words indicating the creation of a trustee relationship; and such indorsement or other restrictive indorsement whether creating an agency or trustee relationship shall constitute a guaranty by the indorser to all subsequent holders and to the drawee or payor of the genuineness of and the authority to make prior indorsements and also to save the drawee or payor harmless in the event any prior indorsement appearing thereon is defective or irregular in any respect unless such indorsement is coupled with appropriate words disclaiming such liability as guarantor.

Where a deposited item is payable to bearer or indorsed by the depositor in blank or by special indorsement, the fact that such item is so payable or indorsed shall not change the relation of agent of the bank of deposit to the depositor, but subsequent holders shall have the right to rely on the presumption that the bank of deposit is the owner of the item. The indorsement of an item by the bank of deposit or by any subsequent holder in blank or by special indorsement or its delivery when payable to bearer, shall carry the presumption that the indorsee or transferee is owner provided there is nothing upon the face of the paper or in any prior indorsement to indicate an agency or trustee relation of any prior party. But where an item is deposited or is received for collection indorsed specially or in blank, the bank may convert such an indorsement into a restrictive indorsement by writing over the signature of the indorser the words "for deposit" or "for collection," or other restrictive words to negative the presumption that such bank of deposit or indorsee bank is owner; and in the case of an item deposited or received for collection payable to bearer, may negative such presumption by indorsing thereon the words "received for deposit" or "received for collection" or words of like import.

§ 350-d. Duty and responsibility of bank collecting agents.—It shall be the duty of the initial or any subsequent agent collecting bank to exercise ordinary care in the collection of an item and when such duty is performed such agent bank shall not be responsible if for any cause payment is not received in money or an unconditional credit given on the books of another bank, which such agent bank has requested or accepted. An initial or subsequent agent collecting bank shall be liable for its own lack of exercise of ordinary care but shall not be liable for the neglect, misconduct, mistakes or defaults of any other agent bank or of the drawee or payor bank.

§ 350-e. Rules of ordinary care in forwarding and presentment.—(a) Where an item is received on deposit or by a subsequent agent bank for collection, payable in another town or city, it shall be deemed the exercise of ordinary care to forward such item by mail, not later than the business day next following its receipt either (1) direct to the drawee or payor in the event such drawee or payor is a bank or (2) to another bank collecting agent, according to the usual banking custom, either located in the town or city where the item is payable or in another town or city.

(b) Where an item is received on deposit or by a subsequent agent bank for collection, payable by or at another bank in the same town or city in which such agent bank is located, it shall be deemed the exercise of care to present the item for payment at any time not later than the next business day following the day on which the item is received either (1) at the counter of the drawee or payor by agent or messenger or (2) through the local clearing house under the regular established procedure, or according to the usual banking custom where the collecting or payor bank is located in an outlying district.

(c) The designation of the above methods shall not exclude any other method of forwarding or presentment which under existing rules of law would constitute ordinary care.

§ 350-f. Items received through the mail.—Where the item is received by mail by a solvent drawee or payor bank, it shall be deemed paid when the amount is finally charged to the account of the maker or drawer.

§ 350-g. Items lost in transit.—Where an agent bank forwards an item for collection, it shall not be responsible for its loss or destruction in transit, or when in the possession of others, for its inability to repossess itself thereof, provided there has been no lack of ordinary care on its part.

§ 350-h. Medium of payment.—Where ordinary care is exercised, any agent collecting bank may receive in payment of an item without becoming responsible as debtor therefor, whether presented by mail, through the clearing house or over the counter of the drawee or payor, in lieu of money, either (a) the check or draft of the drawee or payor upon another bank or (b) the check or draft of any other bank upon any bank other than the drawee or payor of the item or (c) such method of settlement as may be customary in a local clearing house or between clearing banks or otherwise; provided that whenever such agent collecting bank shall request or accept in payment an unconditional credit which has been given to it on the books of the drawee or payor or on the books of any other bank, such agent collecting bank shall become debtor for such item and shall be responsible therefor as if the proceeds were actually received by it in money.

§ 350-i. Medium of remittance.—Where ordinary care is exercised, any agent collecting bank may receive

from any subsequent bank in the chain of collection in remittance for an item which has been paid, in lieu of money, the check or draft of the remitting bank upon any bank other than itself or the drawee or payor of the item or such other method of settlement as may be customary; provided that whenever such agent collecting bank shall request or accept an unconditional credit which has been given to it on the books of the remitting bank or on the books of any other bank, such agent collecting bank shall become debtor for such item and shall be responsible therefor as if the proceeds were actually received by it in money.

§ 350-j. Election to treat as dishonored items presented by mail.—Where an item is duly presented by mail to the drawee or payor, whether or not the same has been charged to the account of the maker or drawer thereof or returned to such maker or drawer, the agent collecting bank so presenting may, at its election, exercised with reasonable diligence, treat such item as dishonored by non-payment and recourse may be had upon prior parties thereto in any of the following cases:

(1) Where the check or draft of the drawee or payor bank upon another bank received in payment therefor shall not be paid in due course;

(2) Where the drawee or payor bank shall without request or authority tender as payment its own check or draft upon itself or other instrument upon which it is primarily liable;

(3) Where the drawee or payor bank shall give an unrequested or unauthorized credit therefor on its books or the books of another bank; or

(4) Where the drawee or payor shall retain such item without remitting therefor on the day of receipt or on the day of maturity if payable otherwise than on demand and received by it prior to or on such day of maturity.

Provided, however, that in any case where the drawee or payor bank shall return any such item unpaid not later than the day of receipt or of maturity as aforesaid in the exercise of its right to make payment only at its own counter, such item cannot be treated as dishonored by non-payment and the delay caused thereby shall not relieve prior parties from liability. Provided further that no agent collecting bank shall be liable to the owner of an item where, in the exercise of ordinary care in the interest of such owner, it makes or does not make the election above provided or takes such steps as it may deem necessary in cases (2), (3) and (4) above. (Amended by L. 1930, c. 436, eff. April 14, 1930.)

§ 350-k. Notice of dishonor of items presented by mail.—In the case of the dishonor of an item duly presented by mail as provided for in the next preceding section, notice of dishonor of such item to prior parties shall be sufficient if given with reasonable diligence after such dishonor; and further in the event of failure to obtain the return of any such item notice of dishonor may be given upon a copy or written particulars thereof, and delay in giving notice of dishonor caused by an attempt with reasonable diligence to obtain return of such item shall be excused.

§ 350-l. Insolvency and preferences.—1. When the drawee or payor, or any other agent collecting bank shall fail or be closed for business by law or by action of the board of directors or by other proper legal action, after an item shall be mailed or otherwise entrusted to it for collection or payment but before the actual collection or payment thereof, it shall be the duty of the receiver or other official in charge of its assets to return such item, if same be in his possession, to the forwarding or presenting bank with reasonable diligence.

2. Except in cases where an item or items is treated as dishonored by non-payment as provided in section three hundred and fifty-j, when a drawee or payor bank has presented to it for payment an item or items drawn upon or payable by or at such bank and at the time has on deposit to the credit of the maker or drawer an amount equal to such item or items and such drawee or payor shall fail or close for business as above, after having charged such item or items to the account of the maker or drawer thereof or otherwise discharged his liability thereon but without such item or items having been paid or settled for by the drawee or payor, either in money or by an unconditional credit given on its books or on the books of any other bank, which has been requested or accepted so as to constitute such drawee or payor or other bank debtor therefor, the assets of such drawee or payor shall be impressed with a trust in favor of the owner or owners of such item or items for the amount thereof, or for the balance payable upon a number of items which have been exchanged, and such owner or owners shall be entitled to a preferred claim upon such assets, irrespective of whether the fund representing such item or items can be traced or identified as part of such assets or has been intermingled with or converted into other assets of such failed bank.

3. Where an agent collecting bank other than the drawee or payor shall fail or be closed for business as above, after having received in any form the proceeds of an item or items entrusted to it for collection, but without such item or items having been paid or remitted for by it either in money or by an unconditional credit given on its books or on the books of any other bank which has been requested or accepted so as to constitute such failed collecting or other bank debtor therefor, the assets of such agent collecting bank which has failed or been closed for business as above shall be impressed with a trust in favor of the owner or owners of such item or items for the amount of such proceeds and such owner or owners shall be entitled to a preferred claim upon such assets, irrespective of whether the fund representing such item or items can be traced and identified as part of such assets or has been intermingled with or converted into other assets of such failed bank.

NEGOTIABLE PAPER

A term usually used to denote those negotiable instruments which evidence the borrowing of money on a short-term basis for commercial purposes, e. g., notes, trade and bankers' acceptances, bills of exchange, etc. (See Negotiable Instruments.)

NEGOTIABLE SECURITIES

Coupon or bearer bonds (whether issued by a Government, state, municipality, railroad, public utility or industrial corporation), certificates of indebtedness, notes, warrants, coupons, and stock certificates, which by their terms permit of transfer of title by delivery or assignment, are negotiable securities.

(See Good Delivery.)

NEGOTIATE

To transfer the title of a negotiable instrument from one person to another by indorsement and delivery, or by mere delivery, so that the transferee becomes the holder and is vested with all the rights of the holder in due course under specified conditions. Negotiation also implies a sale or passing of value. In a collateral sense therefore, since negotiating a note involves relinquishment of its title by the transferor, the term means to sell or discount, i. e., to borrow money.

NEGOTIATION

See Negotiable Instruments, Negotiate.

NET

The balance after all possible deductions, offsets and allowances have been made from the gross amount, bringing it to its lowest terms, e. g., net weight, net price, net wealth, net assets, net debt, and net profits. Some of these terms are explained below.

NET AVAILS

The proceeds of a discounted note; the sum of money given to the borrower in discounting a note, being equivalent to the face of the note less the discount. It is also known as Proceeds.

NET BONDED DEBT

The aggregate of bonds issued less those repurchased by the corporation and held in the treasury, or those retired and cancelled, and less sinking fund assets, if any, set aside to redeem them.

NET CHANGE

The advance or decline of a security for a day or other period. The net change in stocks is released by stock exchanges to the daily newspapers for publication in the financial section, and is determined by taking the difference between the last sale for the current day and the last sale for the first preceding day on which such sale occurred. Normally, net change measures the difference between last sales of two consecutive days, but in the case of inactive stocks which rarely trade, the period covered by net change may vary widely.

NET DEBT

As applied to a corporation, the total fixed and current debt (liabilities), less sinking fund and cash or other assets specifically set aside for their payment. As applied to municipal or state finance, the term refers to the total funded and floating debt outstanding less sinking fund accruals.

NET DEMAND DEPOSITS

A term distinguished from Gross Deposits (q.v.), being the basis upon which the legal reserve of banks is computed. For member banks of the Federal Reserve System, the Banking Act of 1935 defines net demand deposits as the excess of all demand deposits, including deposits due to other banks and the U. S. Government, over demand balances due from other domestic banks (except Federal Reserve Banks, foreign banks or branches thereof, foreign branches of domestic banks, and private banks) and cash items in process of collection. (See Deposits, Net Deposits.)

NET EARNINGS

In bank accounting, net operating or current earnings refer to the net of gross earnings less expenses, before crediting or charging the net of recoveries and profits on sale of securities, and losses and charge-offs. In their reports on bank earnings, the Board of Governors of the Federal Reserve System show net current earnings before income taxes on net profits, but bank managements in reporting such net current earnings usually deduct the income taxes, so that stockholders may have both the net current earnings and the net profits on an after income taxes basis.

Otherwise, net earnings is a non-technical term, as the proper technical term is net income, in the case of railroads and public utilities, and net profits in the case of industrials and banks. (See Net Income Net Profits.)

NET INCOME

Although accounting practice is not uniform, this term is usually confined to the operating statements of railroads and public utilities and is analogous to net profit in the profit and loss statements of industrial and mercantile corporations. For railroad and public utility corporations, net income denotes that portion of income determined after subtracting all operating costs and non-income taxes from gross revenues, and after deduction of interest and other fixed and contingent charges and income taxes from gross income. It is therefore the sum applicable to the allocation of capital and sinking funds, payment of dividends and additions to surplus.

NET INDEBTEDNESS

See Net Debt.

NET PRICE

The price of a commodity or item of merchandise after deducting all discounts, commissions and allowance. In buying and selling securities, the commission for buying is added to the purchase price, and the commission for selling and State and Federal taxes are deducted from the sale proceeds.

NET PROFITS

Although accounting practice is not uniform, net profits is practically synonymous with net income, the former being used of industrial and commercial corporations, the latter of railroads and public utilities. Net profits for a given accounting period are derived in the profit and loss statement by deducting from gross sales the sum of the cost of materials or merchandise sold, selling and general administrative expenses, including insurance, taxes, interest and depreciation, and income taxes. Thus, net profits is the sum applicable to dividends, appropriations and surplus.

NET SURPLUS

In corporation accounting, net Earned Surplus as of the end of a specified period is the result of adding or deducting profit or loss for the period to or from the Earned Surplus at the beginning of the period and deducting dividends paid or declared and other appropriations. In the balance sheet, it is shown as Earned Surplus (or Deficit) as of the end of the accounting period, representing the undivided or accumulated net profits or losses after deduction of dividends and other appropriations.

In bank accounting, the Surplus account is always maintained at a fixed round sum, subject to change by action of the board of directors, as in combination with Capital Stock account, it is the basis for determining the amount of membership stock in the Federal Reserve Bank, the legal limits on loans and investments, acceptance powers, etc. The Undivided Profits account serves as the current surplus account, reflecting net additions or net deductions from net profits or losses, after deduction of dividends paid or declared and other appropriations. (See Surplus.)

NET WORTH

From an accounting standpoint, the excess of assets over liabilities; also known as Proprietorship or Capital. In the case of a corporation, it is represented by the capital stock, surplus and other free and clear equity reserve accounts, if any. Among partnerships, it is represented by the sum of the partners' capital accounts, and in the case of an individual, by the capital account.

From a legal standpoint, net worth represents the equity of the owners in the business, i. e., the net assets determined by subtracting all liabilities from the going value of the assets.

From the standpoint of the credit analyst engaged in judging credit risks, the net worth of a corporation is the sum of the capital stock, surplus and equity reserves, less good will, patents, and other intangible assets, if any. Only actual tangible assets are included in the determination of net worth of a company applying for credit. It is a rule of thumb among bank credit men that unsecured loans should not be extended to exceed one-third of a company's net worth. Among security analysts, book value of a stock is also figured on a net tangible equity basis.

(See Intangibles.)

NEW BUSINESS DEPARTMENT

A department organized in the larger banks which corresponds to the sales promotion department among manufacturing and mercantile concerns. It is also known as the business extension or business development department, and may control or be associated with the advertising or publicity department. This group of departments constitutes a practically new role in modern banking and has arisen out of the increasing competition for new business, and the campaign to educate the public to a greater use of banking facilities. The chief objectives of the new business department are to secure more accounts, to maintain satisfactory relations with old accounts, and to build up small and dormant accounts. Since the primary object of bank advertising is to increase the institution's deposits, and therefore its lending capacity, there are three ways of accomplishing this purpose: (1) by securing new deposit customers; (2) by stimulating accounts already customers; and (3) by encouraging customers of one department to become active customers of other departments.

The work of the department is usually in charge of a senior official, since business development is one of the most insistent problems of bank management. This work may be divided under three heads, correspondence, solicitation, and records. Correspondence is conducted with the list of prospects, and some of the large banks maintain a regular staff of solicitors to find new sources of business.

The chief record of the department is usually the Central File (q.v.). This file should contain a card for each customer and prospect, and show the principal items of information which may be necessary to a continuous following-up of the accounts.

The department works in close co-operation with the credit department, the latter oftentimes furnishing "leads" and checking prospective accounts. Names of prospects are obtained from solicitors, applicants for particular kinds of services, applicants for information, officers, employees, reports of new incorporations, removal notices, newspaper clippings, etc. (See Publicity Department.)

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NEW DEAL

The self-adopted political description of the Franklin D. Roosevelt Administration, beginning March 4, 1933. It represented a distinct break with the past, advocating a trend away from "rugged individualism" and industrial freedom toward social control of industry, banking, finance, transportation, agriculture and markets. It did not advocate general public ownership of business, except in public utility projects such as the TVA, nor alter the basis of private property, but imposed strict regulation and supervision of the major departments of economic life in an attempt to achieve a more equitable distribution of the national income through economic balance. In theory, the New Deal contemplated no abrogation of property or Constitutional rights, and laws were enacted to legalize the changes in economic life brought about, among which the National Industrial Recovery Act, the Agricultural Adjustment Act, the Emergency Relief Act, the Gold Reserve Act, and the Securities Act of 1933 were the most important. The province of the Government was held to be not to change the character of corporate or individual action, but to serve as umpire in the prominent areas of controversy.

The New Deal denied any affinity with Fascism, Communism, State Socialism, or dictatorship under any banner. Both Communism and State Socialism imply government ownership of important instruments of production, and a rejection of parliamentary processes. Fascism implied both a dictatorship with compulsions on industry, and a limitation of the political and economic rights of individuals.

Various labels have been given to the New Deal, such as: Controlled Capitalism, Regulated Capitalism, Federal Capitalism, Disciplined Democracy, Co-operative State, Balanced Social State (Wallace), Economic Constitutional Order (Roosevelt). Among the airms attributed to the New Deal were: (1) Substitution of a planned or managed economy for private, individualistic, laissez faire enterprise; (2) Government intervention in business as umpire and planner; (3) redistribution of wealth; (4) use of managed currency and credit to provide a dollar with approximately the same purchasing and debt-paying power in one generation as another;

(5) prevention of accumulation of great private fortunes; and (6) provision against the hazards and insecurities of life by social security system and unemployment insurance.

New Deal Legislation.—The following are the major pieces of legislation to 1945 under the New Deal affecting agriculture, banking, finance, business, labor, securities and securities markets. Invalidated and repealed acts are indicated by foot-notes.

1933

Date Approved	Act
March 3.	Bankruptcy Act Amendment (individuals, railroads and farmers).
March 9.	Emergency Banking Relief Act.
May 12.	[1]Agricultural Adjustment Act, carrying Thomas Inflation amendment (Title III); also known as the AAA Farm Relief and Inflation Act.
May 12.	Federal Emergency Relief Act.
May 18.	[2]Tennessee Valley Authority Act.
May 27.	Securities Act of 1933.
June 5.	[3]Gold Repeal Joint Resolution.
June 10.	Reconstruction Finance Corporation Amendments.
June 12.	Reciprocal Tariff Act.
June 13.	Home Owners' Refinancing Act of 1933.
June 16.	Banking Act of 1933.
June 16.	Farm Credit Act of 1933.
June 16.	[4]National Industrial Recovery Act.
June 16.	Emergency Railroad Transportation Act.

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Jan. 30.	[3]Gold Reserve Act of 1934.
Jan. 31.	Farm Mortgage Refinancing Act.
Feb. 23.	Crop Loan Act.
April 7.	[5]Jones-Connally Farm Relief Act.
April 21.	[5]Bankhead Cotton Control Act.
April 27.	Home Owners Loan Act of 1934.
May 9.	Jones-Costigan Sugar Act.
May 10.	Revenue Act of 1934.
May 24.	[6]Municipal Bankruptcy Act (Supplementing National Bankruptcy Act).
June 6.	Securities Exchange Act of 1934.
June 7.	Corporate Bankruptcy Act (Supplementing National Bankruptcy Act).
June 16.	Bank Deposit Insurance Act.
June 19.	Communications Act of 1934.
June 19.	Silver Purchase Act of 1934.
June 27.	National Housing Act.
June 28.	Frazier-Lemke Bankruptcy Bill.

1935

Jan. 31.	Reconstruction Finance Corporation Extension Act.
Feb. 22.	[7]"Hot-Oil" Act.
April 8.	Work Relief Act (appropriating $4,000,000,000).
April 27.	Soil Erosion Act.
May 15.	Livestock Bankruptcy Act.
May 28.	Home Mortgage Relief Act.
June 3.	Farm Credit Act of 1935.
June 14.	Rail Extension Act (extending for 1 year the Emergency Railroad Transportation Act of 1933).
June 14.	[4]NRA Extension Act.
June 28.	Deposit Insurance Extension Act.
June 29.	Farm Research Act.
July 5.	Wagner-Connery Labor Relations Act.
Aug. 9.	Motor Carriers Act of 1935.
Aug. 14.	Social Security Act.
Aug. 23.	Banking Act of 1935.
Aug. 24.	[1]Act to Amend the Agricultural Adjustment Act (including the Potato Act of 1935).
Aug. 26.	Public Utility Holding Company Act of 1935.
Aug. 27.	[3]Gold Clause Act.
Aug. 28.	[8]Frazier-Lemke Farm Mortgage Act (providing limited 3-year moratorium).
Aug. 29.	[9]Wagner-Crosser Rail Retirement Act.
Aug. 30	[10]Guffey Coal Conservation Act.
Aug. 30.	Revenue Act of 1935.
Aug. 31.	Tennessee Valley Amendment Act.

1936

Jan. 27.	Bonus Act.
Feb. 29.	Soil Conservation and Domestic Allotment Act.
Feb. 10.	Cotton-Tobacco-Potato Repeal Act.
April 10.	Commodity Credit Act.
April 25.	Tobacco State Compact Act.
April 30.	National Housing Act Amendment.
May 20.	Norris-Rayburn Rural Electrification Act.
May 27.	Unlisted Securities Trading Act.
June 23.	The Revenue Act of 1936.
June 20.	Robinson-Patman Price Discrimination Act.
June 16.	Commodity Exchange Act.
June 30.	Walsh-Healey Public Contracts Act.

1937

April 26.	Bituminous Coal Act of 1937.
Aug. 16.	Bankruptcy Act Amendment (relating to municipal bankruptcy compositions).
Aug. 26.	Revenue Act of 1937.

1938

Feb. 16.	Agricultural Adjustment Act of 1938.
March 8.	Commodity Credit Corp. Act.
June 21.	Natural Gas Act.
June 22.	Chandler Bankruptcy Act (amendment of the Bankruptcy Act).
June 23.	Civil Aeronautics Act.
June 25.	Fair Labor Standards Act.
June 25.	Railroad Unemployment Insurance Act.

1939

March 4.	Act continuing functions of the Reconstruction Finance Corp.
March 4.	Act continuing functions of the Commodity Credit Corp. and the Export-Import Bank.
April 12.	Public Salary Tax Act.
June 3.	National Housing Act Amendments.
June 29.	Revenue Act of 1939.
June 29.	Extension of Hot Oil Law.
July 6.	Extension of President's powers relative to the Stabilization Fund and dollar devaluation
July 30.	Amendment of Liberty Loan Act to permit issuance of long term Federal bonds beyond former $30 billion limit.
July 28.	Bankruptcy Act Amendment (for railroads in temporary financial difficulties).
Aug. 3.	Trust Indenture Act of 1939.
Aug. 7.	Amendments of Agricultural Adjustment Act.
Aug. 10.	Amendment of Social Security Act.

1940

Jan.	1.	Federal Power Act.
June	25.	Revenue Act of 1940.
July	1.	Bankruptcy Act Amendment.
Aug.	22.	Investment Company Act of 1940; Investment Advisers Act.
Sept.	18.	Transportation Act of 1940.
Oct.	8.	Excess Profits Tax Act of 1940 (Title 6 of this Act is the National Service Life Insurance Act of 1940).

1941

Feb.	19.	Public Debt Act.
March	7.	Excess Profits Tax Amendments.
March	11.	Lend-Lease Act.
Sept.	20.	Revenue Act of 1941.

1942

Jan.	30.	Emergency Price Control Act.
March	28.	Public Debt Act of 1942.
June	22.	Bankruptcy Act Amendments.
Oct.	21.	Revenue Act of 1942.

1943

April	11.	Public Debt Act of 1943. Revenue Act of 1943 (became law Feb. 25, 1944 over President's veto).

1944

March	11.	Farm Mortgage Relief Act.
March	11.	Bankruptcy Act Amendments.
June	9.	Public Debt Act of 1944.
June	22.	Servicemen's Readjustment Act of 1944.
Oct.	3.	Surplus Property Act.

1945

April	3.	Public Debt Act of 1945.
July	31.	Tax Adjustment Act of 1945.
July	31.	Export-Import Bank Act of 1945.
July	31.	Bretton Woods Agreement Act.
Nov.	8.	Revenue Act of 1945.

1 Invalidated as to agricultural provisions, January 6, 1936, by 6-3 decision. Time required for adjudication, 29 days.

2 Upheld as to certain provisions only, February 17, 1936, by 8 to 1 decision. Time required for adjudication, 59 days.

3 Upheld. February 18, 1935, by 5-4 decision. Time required for adjudication, 41 days.

4 Invalidated, May 27, 1935, by 9-0 decision. Time required for adjudication, 25 days.

5 Repealed in conformity with invalidation of AAA on February 10. 1936.

6 Invalidated, May 25, 1936, by 5-4 decision.

7 Invalidated by 8-1 decision. Time required for adjudication, 28 days.

8 Invalidated by 9-0 decision. Time required for adjudication, 29 days.

9 Invalidated by 5-4 decision. Time required for adjudication, 54 days.

10 Invalidated, May 18, 1936, by 6-3 decision. Time required for adjudication, 67 days.

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NEW DEAL AGENCIES

The following is a list of New Deal agencies, popularly known as "alphabetical agencies", created during the Franklin D. Roosevelt Administration:

AAA--Agricultural Adjustment Administration.
ACA--Advisory Committee on Allotments.
ACAA--Agricultural Conservation and Adjustment Administration.
ALB--Automobile Labor Board.
AMA--Agricultural Marketing Administration.
AOA--Administration of Operation Activities.
ARA--Agricultural Research Administration.
BAC--Business Advisory Council.
BAE--Bureau of Agricultural Economics.
BEW--Board of Economic Warfare.
BFC--Banks for Cooperatives.
BPA--Bonneville Power Administration.
BWC--Board of War Communications.
CAA--Civil Aeronautics Administration.
CAB--Civil Aeronautics Board, Consumers Advisory Board.
CAP--Civil Air Patrol.
CCC--Civilian Conservation Corps, Commodity Credit Corporation.
CCCR--Coordinator of Commercial and Cultural Relations.
CEA--Commodity Exchange Administration.
CED--Committee for Economic Development.
CES--Committee on Economic Security.
CFB--Combined Food Board.
CMB--Combined Munitions Board.
COI--Coordinator of Information.
CPA--Council of Personnel Administration.
CPLO--Crop Production Loan Office.
CPRB--Combined Production and Resources Board.
CRMB--Combined Raw Materials Board.

CSAB--Combined Shipping Adjustment Board.
CSB--Central Statistical Board.
CSC--Cotton Stabilization Corporation.
CWA--Civil Works Administration.
DAI--Division of Applications and Information of the Works Relief Administration.
DCADA--District of Columbia Alley Dwelling Authority.
DCB--Defense Communications Board.
DGIAB--Durable Goods Industries Advisory Board.
DHC--Defense Homes Corporation.
DLB--Deposits Liquidation Board.
DLC--Disaster Loan Corporation.
DPC--Defense Plants Corporation.
DSC--Defense Supplies Corporation.
EC--Executive Council.
ECFL--Emergency Crop and Feed Loans.
ECNR--Executive Council for National Recovery.
ECW--Emergency Conservation Works.
EHC--Emergency Housing Corporation.
EHFA--Electric Home and Farm Authority.
EIB--Export-Import Bank.
EPCA--Emergency Price Control Act.
FAC--Federal Aviation Commission.
FACA--Federal Alcohol Control Administration.
FCA--Farm Credit Administration.
FCC--Federal Communications Commission.
FCIC--Federal Crop Insurance Corporation.
FCT--Federal Coordinator of Transportation.
FCU--Federal Credit Unions.
FCUS--Federal Credit Union System.
FDA--Food Distribution Administration.
FDIC--Federal Deposit Insurance Corporation.
FEA--Foreign Economic Administration.
FEHC--Federal Emergency Housing Corporation.
FEPC--Fair Employment Practices Committee.
FERA--Federal Emergency Relief Administration.
FESO--Federal Employment Stabilization Office.
FFC--Foreign Funds Control.
FFMC--Federal Farm Mortgage Corporation.
FHA--Federal Housing Administration.
FHLB--Federal Home Loan Banks.
FHLBB--Federal Home Loan Bank Board.
FICB--Federal Intermediate Credit Banks.
FISC--Fur Industry Salvage Commission.
FLA--Federal Loan Agency.
FLB--Federal Land Banks.
FMC--Federal Mortgage Corporation.
FPC--Federal Power Commission.
FPHA--Federal Public Housing Authority.
FPI--Federal Prison Industries.
FREB--Federal Real Estate Board.
FSA--Farm Security Administration, Federal Security Agency.
FSHC--Federal Subsistence Homesteads Corporation.
FSCC--Federal Surplus Commodity Corporation.
FSLA--Federal Savings and Loan Association.
FSLIC--Federal Savings and Loan Insurance Corporation.
FSRC--Federal Surplus Relief Corporation.
FTC--Federal Trade Commission.
FTZB--Federal Trade Zones Board.
FTSA--Special Adviser to the President on Foreign Trade.
FWA--Federal Works Agency.
GFA--Grain Futures Administration.
GSC--Grain Stabilization Corporation.
HIF--Housing Insurance Fund.
HLB--Home Loan Bank, Home Loan Board
HOLC--Home Owners' Loan Corporation.
IAB--Industrial Advisory Board.
ICCP-Interdepartmental Committee on Commercial Policy.
IEC--Industrial Emergency Board.
JEB--Joint Economic Board.
JSLB--Joint Stock Land Banks.
LAB--Labor Advisory Board.
LBC--Land Bank Commissioner.
MRC--Metals Reserve Company.
NACA--National Advisory Committee for Aeronautics.
NBAPC--National Business Advisory and Planning Council.
NCB--National Compliance Board.
NDAC--National Defense Advisory Commission.
NDMB--National Defense Mediation Board.
NEC--National Emergency Council.
NHA--National Housing Agency.
NIRA--National Industrial Recovery Act.
NIRB--National Industrial Recovery Board.
NLRB--National Labor Relations Board.
NMB--National Mediation Board.
NPB--National Planning Board.
NPPC--National Power Policy Committee.
NRA--National Recovery Administration.
NRAB--National Railroad Adjustment Board.
NRB--National Resources Board.
NRC--National Resources Committee.
NRRB--National Recovery Review Board.
NRPB--National Resources Planning Board.
NRS--National Re-employment Service.
NSLRB--National Steel Labor Relations Board.
NWLB--National War Labor Board.
NYA--National Youth Administration.
OADR--Office of Agricultural Defense Relations.
OAPC--Office of Alien Property Custodian.
OAWR--Office for Agricultural War Relations.
OBCCC--Office of Bituminous Coal Consumers Council.
OC--Office of Censorship.
OCD--Office of Civilian Defense.
OCIAA--Office of Coordinator of Inter-American Affairs.
OCR--Office of Civilian Requirements.
OCS--Office of Civilian Supply.
ODB--Office of Dependency Benefits.
ODHWS--Office of Defense and Health Welfare Services.
ODT--Office of Defense Transportation.
OEM--Office of Emergency Management.
OES--Office of Economic Stabilization.
OFC--Office of Fishery Coordination.
OFEC--Office of Foreign Economic Coordination.
OFF--Office of Facts and Figures.
OFRRO--Office of Foreign Relief and Rehabilitation Operations.
OGR--Office of Government Reports.
OLLA--Office of Lend-Lease Administration.
OOC--Office of Censorship.
OPA--Office of Price Administration.
OPACS--Office of Price Administration and Civilian Supply.
OPCW--Office of Petroleum Coordination for War.
OPM--Office of Production Management.

OSFCW--Office of Solid Fuels Coordinator for War.
OSRD--Office of Scientific Research and Development.
OSS--Office of Strategic Services.
OWI--Office of War Information.
OWM--Office of War Mobilization.
PA--Petroleum Administration.
PAB--Petroleum Administrative Board.
PAW--Petroleum Administration for War.
PBA--Public Buildings Administration.
PCC--Production Credit Corporation.
PCES--President's Committee on Economic Security.
PIWC--Petroleum Industry War Council.
PRA--Public Roads Administration.
PRRA--Puerto Rico Reconstruction Administration.
PWA--Public Works Administration.
PWAP--Public Works Arts Projects.
PWEHC--Public Works Emergency Housing Corporation.
PWRCB--President's War Relief Control Board.
RA--Resettlement Administration.
RACC--Regional Agricultural Credit Corporations.
REA--Rural Electrification Administration.
RFC--Reconstruction Finance Corporation.
RRA--Rural Resettlement Authority.
RRC--Rubber Reserve Company.
RRRB--Railroad Retirement Board.
SA--Sugar Agency.
SAB--Science Advisory Board.
SAPFT--Special Adviser to President on Foreign Trade.
SCS--Soil Conservation Service.
SEC--Securities and Exchange Commission.
SES--Soil Erosion Service.
SHD--Subsistence Homesteads Division.
SLIC--Savings and Loan Insurance Corporation.
SLRB--Steel Labor Relations Board, State Labor Relations Board.
SMA--Surplus Marketing Administration.
SPAB--Supply Priorities and Allocations Board.
SSB--Social Security Board.
SSS--Selective Service System.
SWPC--Smaller War Plants Corporation.
TEC--The Executive Council.
TFI--Textile Foundation, Inc.
TVA--Tennessee Valley Authority.
TVAC--Tennessee Valley Associated Cooperatives Inc.
TWAB--Textile Work Assignment Boards.
UNRRA--United Nations Relief and Rehabilitation Administration.
USECC--U. S. Employees Compensation Commission.
USES--U. S. Employment Service.
USHA--U. S. Housing Authority.
USHC--U. S. Housing Corporation.
USIS--U. S. Information Service.
USMC--U. S. Maritime Commission.
USTB--U. S; Travel Bureau.
WAB--Work Allotment Board.
WDC--War Damage Corporation.
WEPL--War Emergency Pipe Lines, Inc.
WFA--War Food Administration.
WLB--War Labor Board.
WMC--War Manpower Commission.
WMI--War Materials, Inc.
WMPC--War Man Power Commission.
WPA--Works Progress Administration.
WPB--War Production Board.
WRA--War Relocation Authority, Work-Relief Administration.
WSA--War Shipping Administration.
WSTIB--Woolen and Silk Textiles Industries Board.
WWB--Writers War Board.

(See New Deal.)

NEW HIGH

Financial reviewers in commenting upon the trend of the stock market sometimes state that the market as a whole or a particular security, group or average of securities, has reached a "new high" for the movement. The expression may also refer to the record of highest price which a particular security has ever reached in its market history.

NEW JERSEY SAVINGS BANKS

Chapter 67, Laws of 1948 of the State of New Jersey, entitled An Act Concerning Banking and Banking Institutions (Revision of 1948), was approved April 29, 1948, to be effective September 16, 1948. This law, called the Banking Act of 1948, outlines in Article 25 the statutory provisions applying to investment of the funds of all savings banks. New Jersey is not a "legal list" State, and in Section 183 of the new Act, the law states that the board of managers of a savings bank, in determining whether any investment is lawful, may rely upon statistical, financial, corporate or other information as to such investment, and upon ratings or other opinion as to the financial or other status thereof or its legality for investment, contained in or offered by any financial, statistical, investment, rating or other publication or service published for the use of investors and accepted as reliable by the Commissioner of Banking and Insurance, or upon information contained in the prospectus circulated with a new issue and filed with the Securities and Exchange Commission.

Ratio analysis of assets and liabilities of member banks of the Savings Banks' Association of New Jersey since 1929 is tabulated in the table shown on page 467.

NEW ORLEANS COTTON EXCHANGE

The second largest cotton exchange in the United States, incorporated January 17, 1871, not long after organization of the New York Cotton Exchange in 1870. Thus it has had a long and colorful history, and is still operating under charter of May 6, 1873, as amended.

The Exchange is capitalized with 500 shares of $200 par value each, and each member is required to own at least one share of stock, thus setting a limit of 500 on membership. In recent years, actual membership has totaled about 400 members. Government of the Exchange is vested in a board of directors elected annually, from whom are in turn elected a president, vice-president and treasurer, and in customary standing committees who supervise various aspects of operation.

The New Orleans Cotton Exchange is one of the three cotton futures markets designated by the Commodity Exchange Administration, the other two being the New York Cotton Exchange, and the Chicago Board of Trade. All three exchanges are Regulated Commodity Exchanges under the Commodity Exchange Administration. The units of trading on the New Orleans Cotton Exchange are the 100-bale contract (50,000 lbs.) and the 50-bale contract (25,000 lbs.). Delivery points are New Orleans, Houston and Galveston. Price fluctua-

New Jersey Savings Bank

Members of the Savings Banks' Association of New Jersey

Ratio Analysis

(Percentages based on Total Assets)

As of December 31st

Assets	1947	1946	1940	1939	1938	1937	1933	1932	1929
Bonds:									
U. S. Bonds	54.06%	55.61%	20.4%	19.9%	18.2%	16.1%	6.5%	6.7%	4.8%
Port and Bridge Authority Bonds	.04	.05	.4	...	...	...	...	...	...
N.J.State and Municipal Bonds	2.51	3.28	12.1	13.2	13.2	13.2	9.5	10.0	11.3
Other State and Municipal Bonds	.08	.04	.1	.1	.2	.1	.1	.1	...
Railroad Bonds	6.81	7.06	8.7	9.4	9.7	11.5	16.8	15.7	21.0
Public Utility Bonds	8.31	8.04	7.1	7.8	9.4	9.0	7.3	9.5	5.5
Industrial and Other Bonds	2.01	1.33	.3	.2	.2	...	...	...	...
Total Bonds	73.82	75.41	49.1	50.6	50.9	49.9	40.2	42.0	42.6
Mortgages	19.79	18.30	33.1	32.3	33.2	34.4	48.4	48.7	51.2
Collateral Loans	.06	.03	.1	.1	.1	.1	.3	.4	.5
Banking House and Fixtures	.73	.82	1.5	1.5	1.5	1.5	1.8	1.8	1.6
Other Real Estate	.06	.09	8.1	8.2	8.8	9.0	4.2	2.0	.3
Cash in Banks	4.28	4.20	6.7	5.8	4.1	3.5	2.6	2.8	1.9
Cash on Hand	.90	.82	.8	.7	.6	.6	.7	.7	.5
All Other Assets	.36	.33	.6	.8	.8	1.0	1.8	1.6	1.4
Total Assets and Liabilities (in millions)	$568.53	504.38	343.83	351.65	353.69	352.67	301.91	310.73	254.39
Deposits	88.80%	88.88%	88.3%	88.7%	89.3%	88.6%	92.7%	92.9%	89.1%
All Other Liabilities	.29	.31	.2	.6	.4	1.3	.3	.2	.2
Surplus and Reserves	10.91	10.81	11.5	. 10.7	10.3	10.1	7.0	6.9	10.7

Source--Savings Banks' Association of New Jersey.

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tions are in hundredths of a cent ($5 on the 100-bale contract and $2.50 on the 50-bale contract), the daily trading limits being 2¢ above or below previous close, and the maximum range being 2¢. Futures trading is permitted as far ahead as the buyer and seller desire to trade. Basic grade and staple deliverable on contracts is middling 15/16 inch. Staples of 7/8 inch and 29/32 inch, and of 31/32 inch and 1 inch are deliverable at the average discounts or premiums measured by the spot markets designated for the purpose by the Secretary of Agriculture--Houston, Galveston, New Orleans, Memphis and Dallas for average of grade differentials, and these markets plus Little Rock, for the average of the staple differentials.

Non-member commission rates are as follows:

Price	100-bale Contract	50-bale Contract
25¢ or under	$15.00	$ 9.00
25.01¢ to 30¢	15.00	9.00
30.01¢ to 35¢	17.50	10.50
35.01¢ to 40¢	20.00	12.00

In addition to trading in cotton futures, trading in cottonseed oil futures was established on the New Orleans Cotton Exchange in 1925. Contract unit is 30,000 lbs, minimum fluctuation being in hundredths of a cent, or $3 per contract. Daily trading limit is 1¢ above or below previous close, and maximum fluctuation range is 1¢. Non-member commission rate to buy or sell one contract is $7.50.

The New Orleans Cotton Exchange is housed in its own 7-story building, erected in 1920-21 at a cost of $1,222,520.

NEW ORLEANS FUTURES SUGAR MARKET

This market, the second American sugar futures exchange, was organized in New Orleans on July 6, 1922, and flourished for a while before going out of business. Some 17 sugar brokefs and commission houses were licensed to trade in sugar futures on the floor of the Louisiana Sugar and Rice Exchange when futures trading began. Regular telegraphic equipment in direct connection with the New York exchange was installed to replace the usual ticker service, and New York prices had a strong influence over trading, as operations were small and the business was not firmly established. New Orleans, however, continues to be an important

sugar center, as raw sugar enters the country at refiners' plants, and New Orleans is second to New York in refinery capacity in this country.

(See New York Coffee and Sugar Exchange.)

NEW YORK BLUE SKY LAW

Refers to the Martin Act, of which the text of registration and exemption provisions will be found under the title Martin Act (q. v.). (See Blue-Sky Laws.)

NEW YORK CITY ASSESSED VALUATIONS

Assessed taxable valuations of New York City, by boroughs, since 1920 have compared as shown in the table below.

NEW YORK CITY FINANCES

A record of major features of the finances of New York City by decades from 1830, and annually from 1930, is shown in table on page 469.

NEW YORK CLEARING HOUSE ASSOCIATION

See Clearing House.

NEW YORK COCOA EXCHANGE

An incorporated commodity exchange, organized on October 1, 1925 to furnish facilities for trading in cocoa bean futures, and located at 92 Beaver Street, New York City. The Exchange at present is not classified as a Regulated Commodity Exchange by the Commodity Exchange Administration.

The Exchange was organized "to meet a world-wide demand for such an institution, and is designed to facilitate the movement of raw cocoa from the plantation to the factory, and to reduce the risks heretofore incident to trading in this staple. Trade in cotton, sugar, coffee and other important commodities has been benefited by the formation of similar organizations, and the cocoa trade with its leading producing centers scattered over the globe, will be materially helped by the new mart."

At the time of organization of the Exchange, the world center for cocoa trading was located in London. As the result of success of the Exchange, which attracted members representing interests in principal consuming and producing countries as well as Wall Street interests, the world center of cocoa trading shifted to the United States, and although cocoa exchange trading was subsequently organized in London and Liverpool, the New York Cocoa Exchange has retained its position as the leading world market.

Membership is international in scope, the present roster including members located in England, France, Holland, Canada, Brazil, Spain and China. Memberships are limited to 150, exclusive of the 33 Founder Memberships issued and outstanding.

The Exchange is organized along lines similar to those of other commodity exchanges in New York. Trading in futures is conducted as far ahead as 12 months. The unit of trade is 30,000 pounds net of cocoa beans in original shipping bags of average weight customary for the growth, deliverable from warehouses licensed by the Exchange. The Standard Grade allows a maximum of 8% defectiveness by count and 10% slatiness (subject to any stricter requirements of the Government), the Standard Growths being the following:

Accra Kinds (product of British Gold Coast Colony), of the main crop;
Bahia (product of Brazil);
San Thome, Fine (product of the Portuguese island of San Thome);
Ivory Coast, of the main crop;
Costa Rican, fermented;
Panama, fermented.

Growths deliverable at premiums are:

Ceylon, not below Native No. 1 (product of Ceylon);
Grenada Estates (product of the British West Indies island of Grenada);
Guayaquils (the product of Ecuador);
Java, not below No. 3 (the product of Java);
New Hebrides, Light Break Fine (product of New Hebrides);
Samoan, Light Break Fine (product of Samoa);
Trinidad (product of Trinidad);
Venezuelans (product of Venezuela);
Grenada Plantation.

Minimum fluctuations in futures contracts are registered in hundredths of a cent, or $3 per contract. Maximum daily fluctuation is 100 points, or $300 per contract. Non-member commission rates to buy or sell one contract are on a graduated scale, being $20 per contract when the price is 15¢ or above. Contracts are cleared daily through the New York Cocoa Clearing Association, which began operations simultaneously

(in thousands)

Year	Manhattan	Bronx	Brooklyn	Queens	Richmond	Total
1920	$5,413,835	$770,519	$1,979,004	$645,201	$114,068	$8,922,628
1925	6,876,657	1,095,336	2,970,664	1,021,956	176,243	12,140,856
1928	8,635,873	1,863,538	4,301,130	1,963,019	306,771	17,070,330
1930	9,926,481	2,217,348	4,708,260	2,314,019	332,800	19,498,908
1932	10,372,442	2,211,387	4,643,229	2,416,312	340,276	19,983,646
1934	8,715,968	1,931,020	4,017,614	2,188,373	303,770	17,156,745
1936	8,365,563	1,908,861	3,954,398	2,154,630	295,311	16,678,764
1938	8,194,482	1,938,547	3,953,668	2,263,880	299,720	16,650,298
1939*	8,212,151	1,952,749	3,970,311	2,301,047	300,613	16,736,871
1940-1	8,019,016	1,971,210	3,938,682	2,318,577	300,208	16,640,633
1941-2	7,779,329	1,992,516	3,763,611	2,386,272	301,407	16,223,135
1942-3	7,655,785	1,999,465	3,729,092	2,429,807	301,494	16,115,643
1943-4	7,548,135	1,998,754	3,726,282	2,442,526	303,644	16,019,341
1944-5	7,403,742	1,990,734	3,698,243	2,450,316	302,956	15,845,991
1945-6	7,435,092	1,993,513	3,697,122	2,472,735	304,516	15,902,978
1946-7	7,414,624	2,001,552	3,700,587	2,486,527	305,228	15,908,518
1947-8	7,754,604	2,144,440	3,989,527	2,722,910	326,987	16,938,467

*For first 6 months.

Year	Population	Total Budget	Budget per Capita	General Tax Rate per $100 Ass'd. Valuation	Assessed Value Taxable Realty (000)	Same per Capita	Net Funded Debt (Dec. 31) (000)	Same per Capita	Ratio Debt to Values (%)
1830	197,112	$ 667,618	$3.39	.42‡	$ 87,603	$444.68	$ 343	$1.70	.39
1840	312,710	1,605,742	5.13	.53‡	187,221	598.70	10,143	32.43	5.42
1850	519,983	3,368,163	6.47	1.14‡	207,142	398.36	11,454	22.02	5.53
1860	830,012	9,785,056	11.80	1.69‡	398,533	480.15	17,033	20.52	4.27
1870	971,273	14,254,349	14.68	2.25‡	742,103	764.05	61,408	63.22	8.27
1880	1,206,299	31,142,991	25.82	2.53§	942,571	781.38	100,541	80.40	10.67
1890	2,507,414	38,764,249	15.46	1.97‡	1,398,290	557.53	97,858	39.01	7.00
1900	3,437,202	90,778,972	26.40	2.25§	3,168,533	921,80	265,543	77.23	8.38
1910	4,766,883	163,128,270	34.22	1.76§	7,044,193	1,477.73	688,034	144.34	9.77
1920	5,620,048	273,689,000	48.70	2.48§	8,626,123	1,534.88	1,031,198	183.48	11.95
1930	6,930,446	569,769,000	82.20	2.53§	18,203,529	2,626.39	1,702,799	245.66	9.35
1931	7,090,089†	620,840,000	87.55	2.57§	18,806,167	2,660.18	1,807,387	254.91	9.61
1932	7,218,223†	631,366,000	87.46	2.59§	18,944,217	2,624.58	1,840,551	254.98	9.38
1933	7,346,000†	518,428,000	70.57	2.33§	18,463,011	2,513.00	1,897,481	258.30	10.28
1934	7,473,000†	551,047,000	73.73	2.56§	17,149,227	2,294.00	1,885,503	252.28	10.99
1935	7,601,000†	553,432,000	72.80	2.71§	16,649,771	2,190.00	1,864,955	245.36	11.20
1936	7,363,624†	545,542,000	74.09	2.65§	16,678,764	2,265.00	1,975,251	268.24	11.84
1937	7,434,346†	559,499,000	75.26	2.64§	16,599,695	2,232.84	1,982,569	266.68	11.94
1938	7,491,790†	589,981,000	78.75	2.80§	16,650,298	2,222.47	2,055,700	274.39	12.35
1939*	7,575,339†	289,188,000*	38.17*	1.39*§	16,736,871*	2,209.39*	...	...	...
1939-40	7,454,995	587,510,000	78.75	2.82§	16,640,633	2,232.14	2,125,579	285.12	12.77
1940-41	7,521,000†	581,049,000	77.02	2.84§	16,470,154	2,189.89	2,471,879	328.66	15.01
1941-42	7,573,000†	573,741,000	75.76	2.80§	16,223,135	2,142.23	2,590,495	342.07	15.97
1942-43	7,625,000†	606,368,000	79.52	2.74§	16,115,643	2,113.53	2,560,088	335.75	15.89
1943-44	7,678,000†	634,187,000	82.60	2.79§	16,019,341	2,086.39	2,480,926	323.12	15.49
1944-45	7,730,000†	617,613,000	79.90	2.89§	15,845,991	2,049.93	2,418,741	312.90	15.26
1945-46	7,783,000†	624,303,000	80.21	2.67§	15,902,978	2,043.30	2,460,748	316.17	15.47
1946-47	7,835,000†	713,868,000	91.11	2.70§	15,908,518	2,030.44	2,416,931	308.48	15.19
1947-48	7,888,000†	833,773,000	105.70	2.89§	16,938,467	2,147.37	2,392,073	303.26	14.12

†Estimated as of July 1st, Board of Health.
‡From Durands Financial History of N. Y. City (1898).
§Basic rate (for all boroughs); Dept, of Taxes and Assessments.
*Fiscal year changed to July 1 - June 30; figures given are for first six months of 1939 and as of July 1, 1939.

with the Exchange with an original membership of 54 clearing members. Trading hours are from 10 a.m. to 3 p.m. on weekdays. Daily market report is issued.

West Africa is the principal source of supply of cocoa beans, producing approximately 60% of the world's cocoa, the bulk of which comes from the British colonies of the Gold Coast and Nigeria. Cocoa is also produced in other tropical countries such as Brazil (second largest producer), Trinidad, Venezuela, Dominican Republic, Costa Rica, San Thome, Panama, Ceylon, Ecuador, Java, Grenada, etc. Principal consuming countries are the United States, Great Britain, Holland, France and Spain. Practically all cocoa produced in the Gold Coast of Africa comes from small native plantings of a few acres or more, assembled in quantities by trading firms, agents and brokers dealing with exporters and growers. After the fruits have been collected at a central place in the cocoa grove, the pods are broken and the beans fermented. Fermenting is carried on by covering the beans and pulp with plantain leaves and takes from five to seven days. After this process is completed, the beans are dried on mats or tarpaulins for another five to six days so that they will keep in transit and will not be subject to mold invasion. The cocoa is then bagged and delivered to depots or storage places for shipment to various parts of the world.

NEW YORK COFFEE AND SUGAR EXCHANGE

Under the name of the "New York Coffee Exchange", this Exchange first opened for business on March 7, 1882, after a period of unbridled speculation had brought a ruinous crash to the old, disorganized coffee trade, and had emphasized the need for a well-organized market, with regulations for uniform procedure, fixed standards of grades, a recognized court of arbitration, and a futures market in which coffee roasters could protect their legitimate profits by hedging.

Within three years of its opening, the Exchange had so well demonstrated its value that it was chartered by the State of New York under the name of "The Coffee Exchange of the City of New York." Its purposes were set forth in the Charter as follows:

"To provide, regulate and maintain a suitable building, room or rooms for the purchase and sale of coffees and other similar grocery articles in the city of New York, to adjust controversies between its members, to inculcate and establish just and equitable principles in the trade, to establish and maintain uniformity in its rules, regulations and usages, to adopt standards of classification, to acquire, preserve, and disseminate useful and valuable business information, and generally to promote the above mentioned trade in the city of New York, increase its amount, and augment the facilities with which it may be conducted."

In December, 1914, the outbreak of World War I closed the raw sugar exchanges of Hamburg and London. The New York Coffee Exchange met the emergency by expanding its facilities to provide its same services for sugar futures trading in New York. After 21 months of such service to the sugar industry, the Exchange changed its name to "The New York Coffee and Sugar Exchange, Inc." on October 1, 1916. The Exchange has operated under that title ever since.

On February 2, 1931, futures trading was inaugurated in Cane Blackstrap Molasses, a non-edible commodity and an important by-product of the sugar industry. However, because of the presently limited field of use and the relatively small number of firms dealing in it, trading has been negligible up to the present time.

Membership.--Membership in the Exchange is limited to 350. There are now 344 memberships outstanding, leaving 6 memberships to be issued by the Exchange at $50,000 each. The membership list is representative of all divisions of the coffee and sugar industries, and includes members in Belgium, Brazil, Canada, China, Cuba, Czechoslovakia, Egypt, England, France, Holland, India, the Philippines, Puerto Rico and Spain. The 13 leading commercial states of the United States are well represented in the Exchange membership, and branch offices and correspondents of these members can be found in almost every commercially important state of the country.

Government.--The administration of the Exchange is vested in a Board of Managers consisting of three officers--President, Vice-President and Treasurer--and 12 members, divided into 2 classes of 6 members each. Each year, one class of 6 automatically retires. To assist it, the Board appoints 20-odd committees, each to hold office for one year at the Board's pleasure and to perform such duties as their appointed functions may require.

The Board of Managers is charged with the safeguarding of interests of member and non-members trading in futures contracts under the By-Laws and Rules. Abnormal fluctuations in price and injurious speculation incident thereto are avoided by limiting the price change which is permitted for any one day. Margins, original and variation, are provided for.

All contracts made on the Exchange must be cleared through a clearing association, an organization separate from the Exchange. The function of this Association, which is known as the New York Coffee & Sugar Clearing Association, Inc., is similar to that of a clearing house for banks. Each clearing member must advance to the Clearing Association an amount (presently $15,000) which collectively, together with such surplus as the Clearing Association may devote to the same purpose, constitutes a Guaranty Fund. These funds may be used for payment of any loss or damage to the Clearing Association resulting from the default of any clearing member, thus providing protection for the Clearing Association, the Clearing Member and the customer.

Coffee Contracts.--The Exchange believes that through its Coffee futures contract "D" (described as Santos No. 4) and Contract "A" (basis No. 4), the Exchange has provided the coffee industry with the means of handling and distributing this important world commodity with the maximum of protection against fluctuating prices. The "D" contract embraces Santos coffee of the grades No. 2 to No. 6, and has been active since the resumption of coffee futures trading in October, 1946. The "A" contract, adopted by the Membership just prior to the resumption of trading, embraces coffees of all recognized growths, and is the result of study and consultation with various trade interests. Although inactive since the resumption of trading because of the demand for high-priced coffee blends, it is expected that a demand for lower priced roasted blends will increase and the interest in this contract will increase correspondingly. There is still available for trading purposes a Contract styled "H" (Colombian Coffee Contract) which was adopted on October 13, 1932. This contract, however, did not prove sufficiently active to warrant a daily call and trading was suspended in 1935.

All coffees delivered on Exchange contracts must be from warehouses in the Port of New York inspected and licensed by the Exchange, and must under Contract "A" be graded, and under Contract "D" graded and classified, by a panel of graders licensed by the Exchange.

The active coffee futures contract, Contract "D" (described Santos No. 4 Contract) is quoted in multiples of hundredths of a cent per pound. A fluctuation of 1¢ per pound. A fluctuation of 1¢ per pound is equivalent to $325 on each contract of 32,500 lbs. Trading is permitted in contracts for delivery on the current and 12 succeeding months, the active delivery months at present being March, May, July, September and December. Deliveries are from licensed warehouse in the port of New York, each contract of 32,500 lbs. in about 250 bags. Standard Grade is No. 4, premiums being 40 points above for Grade No. 2 and 25 above for Grade No. 3; and discounts being 25 below for Grade No. 5 and 50 below for Grade No. 6. Daily trading limit is 1 1/2¢ above or below previous close, maximum fluctuation being 1 1/2¢. The following rates of commission, including floor brokerage, are the lowest that may be charged on each contract, bought or sold, for future delivery of coffee:

Price	For customer residing in the U.S. and Canada		For customer residing Outside the U. S. and Canada	
	Members	Non-Members	Members	Non-Members
9.99¢ and below	$6.25	$12.50	$8.75	$15.00
10¢ to 19.99¢	7.50	15.00	10.00	17.50
20¢ and above	10.00	20.00	12.50	22.50

Sugar Contracts.--The Membership of the Exchange has adopted three Raw Sugar Contracts: (1) Raw Sugar

Contract No. 2, in which trading suspended by the Board of Managers on August 3, 1939, provides for delivery of duty free raw sugars: domestic centrifugal or domestic beet, or the production of any territorial possession of the U. S., which is admitted free of duty, or any dutible centrifugal sugar on which the U. S. duty has been paid. This contract has been very rarely used and then only on such occasions when a change in duty has been anticipated.

(2) Raw Sugar Contract No. 4, known as the "World" contract, provides for delivery of Cuban raw cane sugar in licensed warehouse in a Cuban port; or Cuban, Santo Domingan, Haitian, Peruvian, Brazilian or Mexican raw cane sugar in bond, in the port of Norfolk, Va. The option of delivery sugar in Norfolk, Va. was adopted primarily as a safety measure in the event that strikes, riots or other conditions existing in Cuba should interfere with the free flow of sugar from Cuba.

(3) Raw Sugar Contract No. 5 (adopted on December 30, 1946), provides for delivery of raw centrifugal cane sugar, which may be: Cuban sugar in bond, and Cuban sugar duty paid, other foreign growth cane sugar duty paid, duty free sugars, cane sugars which are the product of Continental U. S. (at a premium equal to the import duty prevailing on Cuban sugar of like polariscopic test upon the delivery date).

In drawing up Raw Sugar Contract No. 4 and Contract No. 5, the Sugar Committee of the Exchange was concerned particularly with framing contracts which would reduce to an absolute minimum the over-all costs of both delivering and receiving, by eliminating all unnecessary handling, weighing, sampling and testing; and also in equalizing, as far as possible, the remaining costs between deliverer and receiver. This has been possible by the creation of a Weight and Test Certificate which the "Original Deliverer" issues at the time he makes his delivery, which declares an arbitrary weight of 112,000 lbs. and a test of 96° polarization. The contracts classify the various deliverers as (1) Original Deliverer; (2) Intermediate deliverers and receivers; and (3) Final Receiver. Settlement of depreciation between Original Deliverer and Final Receiver is to be made by payment by the Original Deliverer to the Final Receiver if actual depreciation exceeds assumed depreciation, and by Final Receiver to Original Deliverer if assumed depreciation, exceeds actual depreciation, calculated on the basis of 1.50% of the price per degree or fraction thereof on the basis of the average of the spot price fixed by the Spot Sugar Quotation Committee upon the date first delivery notice upon Exchange contracts for the sugar was issued, and the spot price upon the date or average date of final weighing and sampling of sugar.

Contract unit for both the Raw Sugar Contract No. 4 (Cane Raw Sugar for other than U. S. Consumption) and Raw Sugar Contract No. 5 (Quota Cane Raw Sugar for U. S. Consumption) is 50 tons of 2,240 lbs. each. Price multiples are in hundredths of a cent per pound for each pound of sugar, equivalent to $11.20 per contract. A fluctuation of 1¢ per lb. is equivalent to $1,120 per contract. Trading is conducted in contracts for delivery during 18 months, including the current month. Daily trading limit is 1/4¢ above or below previous close, maximum range also being 1/4¢. Minimum commission rates that may be charged on each contract, including floor brokerage, are as follows:

Contract No. 4	Contract No. 5	For customer residing in the U.S.,Cuba, Puerto Rico and Canada		For customer residing outside the U.S., Cuba, Puerto Rico and Canada	
		Members	Non-Members	Members	Non-Members
.99¢ and below	1.99¢ and below	$5.00	$10.00	$7.50	$12.50
1¢ to 2.99¢	2¢ to 3.99¢	6.25	12.00	8.75	15.00
3¢ to 4.99¢	4¢ to 5.99¢	7.50	15.00	10.00	17.50
5¢ to 6.99¢	6¢ to 7.99¢	8.75	17.50	11.25	20.00
7¢ to 8.99¢	8¢ to 9.99¢	10.00	20.00	12.50	22.50
9¢ to 10.99¢	10¢ to 11.99¢	11.25	22.50	13.75	25.00
11¢ to 12.99¢	12¢ to 13.99¢	12.50	25.00	15.00	27.50
13¢ to 14.99¢	14¢ to 15.99¢	13.75	27.50	16.25	30.00
15¢ and over	16¢ and over	15.00	30.00	17.50	32.50

In addition to the customary margins required by the Clearing Association, and as a protection to all participants and to insure the faithful compliance with all the terms of the contracts, the By-Laws require an Escrow Deposit to be made by the Original Deliverer to the Clearing Association. In the case of Contract No. 4, this Escrow Deposit is $25 per 50-ton contract, pending a final settlement of the contract. Should the depreciation, as established by settlement weights and tests exceed assumed depreciation plus $15 per 50 tons, the Original Deliverer shall be liable to the Final Receiver for the whole amount of such depreciation in excess of assumed depreciation plus, in the event that settlement polarization is below 95°, a penal amount equal to 20% of such excess depreciation. Each Receiver also deposits with the Clearing Association $25 per 50 tons, which is subsequently returned to him upon the delivery by him of the sugar on the second day succeeding his issuance of Transferable Notice.

On the No. 5 Contract, the Original Deliverer must deposit with the Clearing Association, when issuing the Transferable Notice, $50 per 50 tons pending final settlement. Should depreciation, as established by settlement weights and tests, exceed the assumed depreciation plus 1/2°, the Original Deliverer is liable to the Final Receiver for the whole amount of such depreciation in excess of the assumed depreciation plus, in the event a settlement polarization is below 95°, a penal amount equal to 20% of such excess depreciation. Each Receiver also deposits with the Clearing Association $50 per 50 tons, which is subsequently returned to him upon the delivery by him of the sugar on the second day succeeding his issuance of the Transferable Notice.

NEW YORK COTTON EXCHANGE

History.—The most important cotton exchange in the world, and the oldest of the four great futures markets—New York, New Orleans, Chicago and Liverpool. Organized as the New York Board of Cotton Brokers in 1868, the work of organizing the New York Cotton Exchange, as such,began in 1870. In that year, officers

and a board of managers were elected on August 15; the constitution and by-laws adopted on September 7; and the exchange opened for business on September 10 at 142 Pearl Street. The exchange was incorporated by an act of the New York legislature on April 8, 1871.

On May 4, 1872, the exchange moved to the building on Hanover Square, now known as India House, but in 1881 plans were begun to construct a building of its own. A new building was subsequently erected, and on April 30, 1885, the facilities were moved into the present site located at 60-64 Beaver Street. Members voted to purchase this building on January 27, 1903. The clearing house system for the adjustment of balances on settlements was introduced on March 5, 1896.

Ranking next in importance to New York are the New Orleans Cotton Exchange, the Liverpool Cotton Association, and the market in Alexandria, Egypt. The Liverpool Cotton Association is the chief distributing agency for American and other cottons in Europe. The New York Cotton Clearing Corporation, a subsidiary for clearing transactions, began operations on July 1, 1915.

Organization.—The governing body of the New York Cotton Exchange is the Board of Managers. Officers consist of a president, vice-president, treasurer, secretary, and assistant secretary. There are 14 standing committees, as follows: Executive, Finance, Supervisory, By-Laws and Rules, Membership, Information and Statistics, Trade, Warehouse and Delivery, Adjudication, Arbitration, Board of Appeals, Commissions, Complaint, and Business Conduct. Officers and fifteen managers are chosen annually.

Membership.—The membership of the New York Cotton Exchange is limited to 450, in the hands of members distributed over the United States and foreign countries. About 40 per cent of the members are located in New York City, and the others are scattered over other parts of the United States, principally the cotton-growing states of the South, and over Canada, Europe, Egypt and the Orient.

Applicants for membership must appear in person before the Membership Committee to establish their financial responsibility, business standing and integrity. Each applicant must be sponsored by one or more members of the Exchange. After approval by the Committee the application is referred to the Board of Managers for final action. An affirmative vote is required of at least 10 members of the Board. Before qualifying each member-elect must procure the transfer to himself of a membership held by another member, and then he must sign the By-Laws and pay an initiation fee of $1,000. Members are divided into two broad categories: (1) producers, ginners, officials of farmer cooperative associations, merchants, manufacturers and textile dealers; and (2) members of commission house firms, and floor brokers. Normally those in the first group are non-resident members and do not actively participate in the trading around the ring, although they enjoy that privilege, unless they are aliens. Instead, they send their orders to those in the second group, who execute and/or carry the contracts for their account. A commission house is a firm in which one or more of the principals hold membership in the Exchange. It is the principal business function of such firms to carry contracts for clients. This function entails the responsibility of having the client keep his account properly margined in accordance with the rules and regulations of the New York Cotton Exchange; to see to it that the business is transacted in accordance with the requirements of the Commodity Exchange Act; and to supervise the delivery of cotton tendered, or cotton received against matured contracts.
price of such transaction exceeds 25¢ per lb., an additional $2.50 for each 5¢ or portion of 5¢ of such excess in price. For each 100 bales bought or sold for any person residing outside of the United States and Canada who is not a member of the Exchange, an additional $2.50 is charged. Rates for members are one-half of the above rates."

The trading floor of the New York Cotton Exchange occupies the entire top floor of its modern office building. Trading takes place around a "ring" located in the center of a large, high-ceiling room. Only members of the Exchange are permitted to execute orders, and all trading must be done by "open outcry," which means the calling of all bids and offers across the ring. When the market opens at 10:00 A.M. (New York Time), brokers representing buyers and sellers congregate around the ring and when the opening gong sounds, each trading month is called in succession by an official of the Exchange. Bids and offers are shouted across the ring for all present to hear. When a bid or offer is shouted across the ring, any member present may accept it or make new offers or bids. This process continues until the bidder finds a seller at his price, or vice-versa, and a contract is made. Brokers having orders to buy and/or sell at specific prices set by their clients must continue offering to buy or sell at those stated prices until the corresponding offer or bid is available. Unexecuted orders expire at the close of the day's trading unless stated to the contrary. Buying and selling orders which do not designate a specific price are known as "market orders," and brokers execute them at the prevailing price at time of receipt.

Charter Purposes.—The Charter of the New York Cotton Exchange defines the fundamental purposes of the Exchange as follows:

"To provide, regulate and maintain a suitable building, room or rooms, for a Cotton Exchange, in the City of New York; to adjust controversies between its members; to establish just and equitable principles in the trade; to maintain uniformity in its rules, regulations and usages; to acquire, preserve and disseminate useful information connected with the cotton interests throughout all markets...."

(See Commodity Exchange Act, Cotton, Cotton Futures, Cotton Futures Act, Cotton Grades.)

It is the principal function of a floor broker member of the Exchange to do the actual trading and execute orders for clients. He does not carry contracts for customers, and his income is derived from commissions charged for his services. He may act for other brokers, commission house firms, merchants and mills, or anyone giving him an order to execute. All contracts consummated by floor brokers are "given up" to commission house firms designated by the client. Floor brokers do not execute all the trade orders reaching the market. Many are sent direct to the commission firm, or carrying house, one or more members of which do the actual trading in the ring for their firm.

Trading.—All futures contracts made in the ring of the New York Cotton Exchange carry the obligation to accept delivery, or to make delivery of actual cotton at a specified future time unless they are liquidated by off-setting purchase and/or sale before maturity.

The New York Cotton Exchange contract is based on

Middling (grade) 15/16 inch (staple), with certain allowances for grades above or below Middling; and certain allowances for staples above and below 15/16 inch. Such premiums and discounts are determined by the average of grade and staple differences quoted by the 10 Southern spot markets officially designated by the Secretary of Agriculture for that purpose. The seller has the option of delivering qualities other than Middling 15/16 inch, provided they fall within the range of grades and staples stipulated in the U. S. Cotton Futures Act, and in the Rules of the New York Cotton Exchange. Grades and staples above Middling 15/16 inch are deliverable at premiums; grades below Middling 15/16 inch are deliverable at discounts. Various combinations of grade and staple are permissible. Grades below Middling, but of staple length better than 15/16 inch often carry premiums, whereas grades above Middling, but of shorter staple length are subject to discounts.

Cotton may be delivered on contract in New York, or at several Southern spot markets designated by the U. S. Department of Agriculture. However, the cotton must be stored in a bonded warehouse licensed by the New York Cotton Exchange to store and handle contract cotton. Before cotton is eligible for delivery or tender, it must be inspected, sampled and weighed under the supervision of the Inspection Bureau of the New York Cotton Exchange, and it must be classed by experts of the U. S. Department of Agriculture, who issue certificates stating the grade and staple of each bale. Cotton handled in this manner is included in the so-called "certificated stocks" eligible for delivery on futures contracts.

All trades on the Exchange are in units of 50,000 pounds, with a tolerance of 1% more or less. Since most American cotton is put up in 500-lb. bales, the unit of trading is approximately 100 bales. The minimum amount which can be bought or sold on one contract is 50,000 lbs., or roughly 100 bales, and larger amounts must be in multiples of that quantity. Prices are quoted in cents and hundredths of a cent per lb., e. g., a price of "JULY 29.56" means twenty-nine and fifty-six one-hundredths of a cent per pound as applied to JULY contracts. Rules of the Exchange impose a limitation on the maximum fluctuation in the price allowed in any one trading day. This rule is designed to prevent unnecessarily wide price changes on sudden and unexpected developments. Daily trading limit is 2¢ above or below previous close, with maximum range being 2¢.

Futures contracts call for delivery in some specified month, but no contract can be made for delivery more than 17 months beyond the current month. Most of the trading is for deliveries in January, March, May, July, October and December. These are designated as the "active months." The value of cotton, as of any commodity, varies with the time of delivery, which accounts for the difference in price or spread between the various contract options.

Exchange rules provide that the lowest rates of commission charged on transactions for future delivery are as follows:
"For each 100 bales bought or sold for any person residing in the United States or Canada, who is not a member of the Exchange, $15 when the price of such transaction does not exceed 25¢ per lb.; and when the

NEW YORK CURB EXCHANGE

The second largest security market in the United States, which until the opening of its building at 78 Trinity Place, on June 27, 1921, was an out-of-doors market, meeting in the street on Broad Street between Exchange Place and Beaver Street. In 1908, the first step toward organization was taken when the New York Curb Agency was formed. By 1911, the Agency had evolved into the New York Curb Market Association, with offices at 25 Broad Street, organized with a Board of Representatives which drew up trading rules and enforced them. Memberships were limited to 500, with annual dues set at $250. The present trading hours were established, and the new listing department admitted the stocks and bonds of qualified corporations to trading privileges.

By 1915, the volume of business on the Outdoor Curb had already grown to a point where indoor operation was becoming imperative. On June 6, 1919, the New York Curb Market Association decided to move indoors and took the first step by the purchase of a building site on Trinity Place. On March 30, 1921, the Board of Representatives ratified and approved a new constitution which became effective when the Curb moved indoors on June 27, 1921. A new class of associate memberships, without floor trading privileges but with the valuable right to reduced commissions on exchange transactions, was added to the 500 regular memberships. With the adoption of the first constitution, the name of the Association was changed to the New York Curb Market.

Less than five years after the Curb Market moved indoors, it began to need larger quarters. From 1924 and 1929, the number of issues traded on the Curb Market more than doubled. Daily volume of transactions reached the million share mark in April, 1928, and a year later reached three and a half million. On October 24, 1929, volume reached 6,337,400 shares, and on October 29, 1929, the all-time record, trading volume attained a peak of 7,096,300 shares.

With all this additional business, the Board of Governors in 1929 decided to incorporate its 8-year old building into a new structure, and actual construction work began on February 25, 1930 on the enlarged building. Trading in securities went on while the construction progressed. On September 14, 1931, the present 14-story building was formally opened, the official title of the market having been changed to the present title, New York Curb Exchange, in 1929. The present building houses all of the modern facilities of the Exchange, including the New York Curb Exchange Securities Clearing Corporation.

When the Curb moved indoors there were 550 regular members and 323 associate members. Today the number of regular memberships is limited by the constitution to a maximum of 499; associate memberships are unlimited in number, and total over 250, most of the associate members being regular members of the New York Stock Exchange. Of the 499 regular members of the Curb, some 265 are floor brokers, of whom 165 are specialists and about 100 are commission brokers, the remaining 234 regular members, more or less, doing their business through the floor brokers.

The New York Curb Exchange is a voluntary, unincorporated association. Primary objectives, as outlined in the constitution, are "to furnish exchange rooms and other facilities for the convenient transaction of their business by its members; to maintain high standards of commercial honor and integrity among its

members, and to promote and inculcate just and equitable principles of trade and business." Senior governing body is the Board of Governors, which consists of 32 members and is headed by the Chairman of the Board and the President of the Exchange. The Board of Governors consists of the following classes of Governors:

Class "A" Governors--total 15 in number, elected from the regular membership to serve 3 years. Five new Governors of this class qualify annually to replace 5 automatically retiring Governors. Class "B" Governors--total 12 in number, elected from non-member partners of regular or associate member firms, to serve 3 years. Four are replaced annually under the rotation system. Class "C" Governors--total 3 in number, being representatives of the public who are non-members of the Exchange and are not engaged in the securities business. They are nominated by the President and appointed by the Board after each annual election, to serve for a 1-year term only. Class "D" Governors--consist of the Chairman of the Board of Governors, who is elected by the regular members at each annual election for a term of 1 year, and who shall be a regular member of the Exchange, and the President of the Exchange, who is elected by the Board, to serve at the pleasure of the Board.

Operating directly under the Board are ten standing committees, as follows:

Executive Committee--composed of the Chairman of the Board, the President of the Exchange, the Chairman of the Committees on Securities, Outside Sipervision, Floor Transactions, and Finance, and the President of the New York Curb Exchange Securities Clearing Corporation. This Committee acts in an advisory capacity to the President and to the Board.

Committee on Securities--composed of 5 Governors. This Committee prescribes the requirements for the listing and admission to unlisted trading privileges of securities and such other requirements as may be deemed expedient or necessary. It may, with the approval of the President of Exchange and without notice, suspend any securities from dealings, and may subject to applicable regulations of the Securities and Exchange Commission without notice, remove any security from listing or from unlisted trading: upon the maturity or redemption thereof, upon its admission to dealings on the New York Stock Exchange, or when it shall appear that the outstanding amount thereof has become so reduced as to make inadvisable further dealings therein upon the Exchange.

Committee on Outside Supervision--composed of 5 Governors. This Committee supervises, investigates and considers all matters relating to the business conduct, capital requirements, financial condition and business transactions off the Exchange of members, member firms and partners of members, including the handling of customers' accounts and margins, distributions of securities, the qualifications, compensation and duties of employees other than floor employees, advertising, solicitation of accounts, extensions of credit, establishment and maintenance of main or branch offices, bookkeeping practices and similar matters. It also has charge of all matters relating to the dissemination and use of the ticker and exchange quotations, requires observance of rules relating to commissions, and may recommend to the Executive Committee changes in commission rates.

Committee on Floor Transactions--composed of 7 Governors. This Committee shall keep in touch with the course of prices, bids and offers, and the volume of trading on the Exchange, for the purpose of determining when improper practices are being engaged in. It has the power to examine into the dealings of any member, member firm or partner of a member firm in stocks and bonds; and to supervise, regulate and make regulations with respect to members' transactions and conduct on the floor as brokers, dealers or specialists in stocks or bonds. It also has the power to prescribe capital requirements for members registered as specialists, as well as make and enforce rules and regulations for the convenient transaction of business on the floor.

Committee on Finance--composed of 7 Governors, who are regular members of the Exchange, and the Treasurer of the Exchange. It has charge of the finances of the Exchange, meeting each month and reporting each month to the Board on the finances of the Exchange.

Committee on Admissions--composed of 7 Governors who are regular members of the Exchange. All applications for membership and all applications of suspended members for reinstatement are referred to this Committee for consideration, and if approved are recommended to the Board of Governors by the Committee. The Committee also approves or disapproves all applications for the formation of, or alteration in, a member firm.

Committee on Arbitration--composed of 5 Governors. Administers the arbitration procedure of the Exchange.

Committee on Public Relations--composed of 3 Governors. This Committee acts in an advisory capacity to the President of the Exchange on matters involving public relations; compiles statistics concerning the operation of the Exchange; and makes recommendations to the President regarding distribution or publication of such information.

Realty Committee--composed of 5 regular members of the Exchange, who need not be Governors. This Committee supervises the operation and maintenance of the Exchange building, and makes such rules with respect to the orderly use of the building as may be necessary to protect the property of the Exchange and insure the proper maintenance of its facilities.

Committee on Business Conduct--composed of 3 Governors. Two alternates, who shall be Governors, are appointed by the President, subject to the approval of the Board. In the absence of a member of this Committee, the Chairman of this Committee, with the approval of the President, selects one of the alternates to serve on this Committee. This Committee investigates violations by members, member firms, partners or employees of members or member firms, of provisions of the constitution of the Exchange, or of the rules of the Exchange or of the provisions of the Securities Exchange Act of 1934. It has the power to examine or to order before it for examination, either by this Committee or by employees or representatives of the Exchange, the books, papers and records of any members or the books, papers and records of his firm or any partner therein or employee thereof.

Listing Requirements.—Listing applications are designed to obtain information as to the history, business and products of the applicant corporation, its capitalization, management, financial condition and operating results, and other pertinent information essential to a proper evaluation of its securities.

The basic listing requirements of most national securities exchanges are substantially similar, insofar as the mechanical form and content thereof are concerned, and listing upon every exchange is subject to effective registration under the Securities Exchange Act of 1934. The registration requirements of the Securities and Exchange Commission are identical as to all exchanges, and call for information generally similar to that contained in the exchanges' own listing requirements. Notwithstanding this similarity of basic listing requirements, there is some variation in the interpretation and application of requirements among exchanges, and the listing standards of the New York Curb Exchange are not so stringent as those of the New York Stock Exchange in the matter of size and national prominence of the applicant corporation, listing fees, public distribution of securities, etc.

The New York Curb Exchange has no rigid policy as to size of applicant corporations from the viewpoint of either assets or earning power. Each case is considered on its own merits. In certain cases, issues of corporations still in the development stage, and without demonstrated earning power, have been listed. In such cases the management of the company, the adequacy of its financing, and its future prospects in its particular line are important factors.

Likewise, there is no formal rule or policy of the New York Curb Exchange which specifies the minimum number of shares of stock which must be publicly distributed or the minimum number of public stockholders among whom such shares must be distributed in order to qualify a stock issue for listing. Each case is considered separately, taking into consideration such factors as (a) the total number of shares outstanding, (b) the number of shares which are "publicly" held (exclusive of holdings of management, underwriters, etc.), and its proportion of the total outstanding shares, (c) the number of stockholders among whom the "publicly" held shares are distributed, and (d) the price of the security, etc. An informal opinion as to the eligibility of a particular issue for listing from the viewpoint of distribution may be obtained in advance of the preparation and filing of a complete listing application.

The New York Curb Exchange does not require (although it prefers) the establishment of transfer agent and registrar facilities in New York City as a condition of listing. Stocks may be listed with such facilities anywhere in the United States.

Two categories of listings are dealt in--securities fully listed, and those admitted to unlisted trading privileges. Under the requirements of the Securities Exchange Act of 1934, there are substantial technical differences between the two categories, but the Act imposes stringent requirements on the admission of securities to unlisted trading privileges, so that the number of issues of securities admitted to unlisted trading privileges since passage of the Act has been small. Securities admitted to unlisted trading privileges still represent a substantial proportion of the total trading list of the New York Curb Exchange, but practically all such securities were admitted to unlisted trading privileges prior to passage of the Act. Stocks fully listed and those admitted to unlisted trading privileges are differentiated by suitable footnote in tabulation of daily transactions published in the daily newspapers.

Included in the securities dealt in on the Curb Exchange are the stocks and bonds of many leading foreign companies, notably English and Canadian, and in fact, the New York Curb Exchange deals in a larger list of foreign stocks than any other securities exchange in the United States. Facilitating business in the stocks of European corporations is the system of trading in American Depositary Receipts pioneered by the New York Curb Exchange.

Range of Seat Prices.--Since 1921, the high and low yearly price range of "seats" transferred is given in the table below. From Agust 31, 1941 to March 31, 1942, the New York Curb Exchange bought 50 memberships at $1,000 each and retired them permanently; subsequently one more was eliminated by purchase to reduce the net regular membership total to its present limit of 499.

Year	High	Low
1921	$8,000	$3,750
1922	10,000	4,200
1923	9,500	3,600
1924	9,000	4,000
1925	37,500	8,500
1926	35,000	17,500
1927	67,500	22,000
1928	170,000	56,000
1929	254,000	150,000
1930	225,000	70,000
1931	137,500	40,000
1932	55,000	16,500
1933	50,000	25,000
1934	40,000	17,000
1935	33,000	12,000
1936	48,000	26,000
1937	35,000	19,000
1938	17,500	8,000
1939	12,000	7,000
1940	7,250	6,900
1941	2,600	1,000
1942	1,700	650
1943	8,500	1,600
1944	16,000	7,500
1945	32,000	12,000
1946	37,500	19,000
1947	25,000	13,500

Trading Volume.—Volume of trading on the New York Curb Exchange has exceeded annually the combined volume of all other national securities exchanges other than the New York Stock Exchange. Since 1921, trading volume in stocks and bonds has fluctuated annually as shown in the following table. At the close of 1947, there were 950 security issues, including 836 stocks and 114 bonds, listed or admitted to unlisted trading privileges on the Exchange, compared with 989 issues at the close of 1946. Of the 836 stock issues dealt in at the year-end 1947, a total of 449, or 54%, were fully listed, compared with 444 fully listed issues, or 52% of the total, for 1946. The number of fully listed issues first exceeded those having unlisted trading privileges in June, 1946.

Year	Stocks (shares)	Bonds (dollars)
1921	15,522,415	25,510,000
1922	21,741,230	55,212,000
1923	50,968,680	90,793,000
1924	72,243,900	200,315,000
1925	88,406,350	500,533,000
1926	115,531,800	525,810,000
1927	125,116,566	575,472,000

Year	Stocks (shares)	Bonds (dollars)
1928	242,323,354	838,722,000
1929	476,140,375	513,551,000
1930	222,270,065	863,541,000
1931	110,313,687	981,297,000
1932	57,144,479	952,144,000
1933	100,916,602	944,374,000
1934	60,050,695	1,013,639,000
1935	75,747,764	1,171,440,000
1936	134,845,196	823,050,000
1937	104,178,804	442,361,000
1938	49,640,238	366,974,000
1939	45,729,888	444,497,000
1940	42,928,377	303,902,000
1941	34,630,254	249,825,000
1942	22,301,852	177,232,500
1943	71,374,283	231,109,000
1944	71,061,783	181,073,500
1945	143,309,392	167,333,000
1946	137,313,214	79,770,000
1947	72,376,027	88,638,000

Securities Clearing Corporation.—The New York Curb Exchange Securities Clearing Corporation in January, 1947, inaugurated a Central Transfer Department, and in November 1947, a new service known as the Delivery Department was opened to provide centralized delivery of securities between clearing member firms and banks and non-member brokerage houses. These new facilities, together with the Central Comparison Department, formed in 1946, have speeded intermediate steps in the transfer of securities from owner to owner.

NEW YORK DOLLARS

Banks in this country having accounts with correspondents abroad may issue letters of credit against which the holder may draw drafts against such correspondents. Instructions are usually given to such correspondents to provide for reimbursement upon cashing such drafts when presented, by a charge against the American bank's account, or else by drawing against the American bank in New York dollars. By New York dollars is meant funds payable in New York, without deduction for interest or other charges, as distinguished from funds available at other points in America, or elsewhere, though payable in dollars.

NEW YORK EXCHANGE

A check drawn upon a bank in New York. New York, being the financial center, a check drawn upon New York should be acceptable in all places, but banks anywhere have an understandable disinclination to cash checks for strangers, requiring personal identification or preferably the indorsement of a depositor of the bank, as protective measures against the risk of payment on bad checks or to the wrong payee.

The Federal Reserve System par collection system has placed most clearings and collections in the United States on a par basis, without deduction of exchange charges. (See Federal Reserve Check Collection System, Par List.)

NEW YORK FEDERAL RESERVE BANK

About one-third of all the earning assets of weekly reporting member banks are within the New York Federal Reserve district. The New York Reserve Bank reports also about one-third of the total resources of the 12 Federal Reserve Banks. The New York Federal Bank was opened for business November 16, 1914, with a staff consisting largely of workers lent to the new organization by neighboring New York City banks. The quarters occupied were in a small building at 62 Cedar Street. In the succeeding few weeks the temporary employes were replaced by a permanent staff, which consisted on January 1, 1915, of five officers and 36 other employes.

In the early months of its existence the principal activity of the bank consisted of taking into custody the reserve funds which all National banks were required by law to deposit as soon as the bank opened. During the first two years of the bank's existence the earning assets were mainly in the form of open market purchases of acceptances and holdings of municipal warrants; there was no large demand from member banks for loans and it was not until later that the subsidiary services, such as check and note collections and wire transfers, became major activities. The offices at 62 Cedar Street were unsatisfactory and provided no opportunity for expansion. It became necessary to move, and on May 1, 1916, the bank relocated on the first and fifth floors of the Equitable Building.

With the country's entrance into the war in April, 1917, the character of the work underwent a transformation. As these tasks were undertaken, it became necessary to increase rapidly the staff of the New York Reserve Bank, and by January 1, 1918, the employes numbered 845, a total nearly five times as large as one year before. The quarters on the first and fifth floors of the Equitable Building became inadequate. Additional space was secured in that building, and the entire building at 50 Wall Street was also occupied. The capacity of the vault was so taken up with Liberty bonds and other material requiring safe storage that it was necessary to use in addition, through the courtesy of the New York Clearing House, one of the vaults belonging to that organization.

The growth of the bank in 1917 and 1918 may in considerable measure be attributed to its use as an emergency institution, but there were developing at the same time other services of a more permanent nature, which engaged a constantly increasing proportion of the bank's staff. What may be called the ordinary services of the bank included: Collection of checks for member banks, collection of notes and drafts, telegraphic transfer of funds from one part of the country to another, settlement of current balances through interdistrict settlement fund in Washington, payment of checks and warrants for the government, exchange of government bonds, payment of coupons upon government bonds, sale and redemption of U. S. certificates of indebtedness, custody and sale of securities for the U. S. Treasury, other government agencies and member banks, shipment of wrapped coin and currency, and maintenance of statistical and other services to aid member banks.

Throughout the period of most rapid growth the housing of the bank's working force was a continual problem. This was solved, however, by construction of the Bank's own $14,000,000 building in 1921 located on the entire block bounded by Nassau, Liberty, Maiden

Lane and William Streets, in the New York financial district.

The Federal Reserve Bank of New York on January 1, 1917 was authorized to establish an agency with the Bank of England, and from that date, it assumed a position of unofficial leadership in the Federal Reserve System in international financial relations with European central banks and bankers, particularly under the governorship of Benjamin Strong. The Banking Act of 1933 specifically amended the Federal Reserve Act, however, to provide that the Board of Governors of the Federal Reserve System shall exercise special supervision over all relationships and transactions of any kind entered into by any Federal Reserve Bank with any foreign bank or banker, or with any group of foreign banks or bankers. All such relationships and transactions shall be subject to such regulations, conditions and limitations as the Board may prescribe. In fact, no officer or other representative of any Federal Reserve Bank shall conduct negotiations of any kind with the officers of representatives of any foreign bank or banker without first obtaining the permission of the Board of Governors. A full report of all conferences or negotiations, and all understandings or agreements arrived at or transactions agreed upon, and all other material facts pertaining to such conferences or negotiations, shall be filed with the Board of Governors in writing by a duly authorized officer of each Federal Reserve Bank which shall have participated in such conferences or negotiations. These provisions, found in Section 14 (g) of the Act, were aimed particularly at the Federal Reserve Bank of New York.

Under the governorship of Benjamin Strong, also, the New York Federal Reserve Bank led the way in development of open market operations as an instrument of credit control. Prior to the Banking Act of 1935, the twelve Federal Reserve Banks had a good deal of independence on open market operations, and could decide not to participate in open market operations upon 30 days' notice. The Banking Act of 1935 established a new Federal Open Market Committee, in which the Board of Governors assumed control, and provided that no Federal Reserve Bank shall engage or decline to engage in open market operations except in accordance with the recommendations of the committee. (See Federal Open Market Committee, Federal Reserve System.)

NEW YORK FUNDS

See New York Exchange.

NEW YORK HIDE EXCHANGE

As a separate entity this exchange no longer exists. Its activities were merged with the Commodity Exchange, Inc. (q. v.) on July 5, 1933.

NEW YORK MERCHANTS ASSOCIATION

See Merchants' Association of New York.

NEW YORK PLAN

See Equipment Trust.

NEW YORK PRODUCE EXCHANGE

One of the most important produce exchanges in the United States, having as of April 30, 1948 a total of 658 members, of whom 92 were associate members. It is located at No. 2 Broadway, which is the southern extremity of Broadway across from the Custom House, in close contiguity with other principal exchanges of the New York financial district. Chartered by the legislature of the State of New York as the New York Commercial Association on April 19, 1862, it has since had a continuous existence as an organized commodity market.

The Exchange affords facilities for trading in and inspecting, testing, weighing, sampling, etc., the following commodities: Animal oils and fats; cottonseed products; grain and flour; lard and provisions; pepper; petroleum; soybean oil; and vegetable oils, waxes and fats. The futures contract markets, licensed under the U. S. Commodity Exchange Act, are maintained in cottonseed oil, soybean oil and black pepper. Most active of these three futures markets is in cottonseed oil. Details of these futures contracts follow:

Cottonseed Oil Futures Contract.—Trading unit is 60,000 lbs. (loose), or one tank car. Trading months are the current month and 11 succeeding months. Price multiples are in hundredths of a cent per pound, or $6 per contract lot. Grade tenderable (determined by the Bureau of Chemistry of the New York Produce Exchange) is Bleachable Prime Summer Yellow of American origin and production. Basis is f.o.b. New York. Deliveries shall be from New York Produce Exchange licensed bonded warehouses. If tender is made from licensed bonded warehouses outside lighterage limits of New York, the seller must make allowance equal to scheduled average refining-in-transit rates from tender point to New York. Commission rates for buying or selling per contract unit are graduated as follows:

Price	Members	Non-Members
15¢ per lb. or less	$20	$30
15.01¢ to 20¢ per lb.	22	33
20.01¢ per lb. and over	24	36

Daily trading limit above or below previous close is 2¢, maximum range being 2¢.

Soybean Oil Futures Contract.—Trading unit is 60,000 lbs. (loose), or one tank car. Trading months are the current month and 11 succeeding months. Price multiples are in hundredths of a cent per pound, or $6 per contract lot. Grade tenderable (determined by the Bureau of Chemistry of the New York Produce Exchange) is Bleachable Refined Soybean Oil of American origin. Basis is f.o.b. New York. Deliveries shall be from New York Produce Exchange licensed bonded warehouses. If tender is made from licensed bonded warehouse outside lighterage limits of New York, the seller must make allowance equal to scheduled average refining-in-transit rates from tender point to New York. Commission rates for buying or selling per contract unit are graduated as follows:

Price	Members	Non-Members
15¢ per lb. or less	$20	$30
15.01¢ to 20¢ per lb.	22	33
20.01¢ per lb. and over	24	36

Daily trading limit is 1¢ above or below previous close, maximum range being 1¢.

Black Pepper Futures Contract.—Trading unit is 33,600 lbs. in bags (15 tons of 2,240 lbs.). Beginning on February 27, 1947, and thereafter, trading is through the twelve months. Price multiples is in hundredths of a cent per lb., or $3.36 per contract lot. Quality tenderable is fair average quality, determined by the Pepper Inspection Department of the New York Produce Exchange, in accordance with type samples approved by

the Committee on Pepper. Price basis and delivery are from New York Produce Exchange licensed warehouses in New York. Commission rates for buying or selling per contract unit are graduated as follows:

Price	Members	Non-Members
9.99¢ per lb. or less	$15	$25
10.00¢ to 19.99¢ per lb.	20	30
20.00¢ per lb. and over	25	37.50

On orders originating outside the United States and Canada, the foregoing rates are increased $2.50 per contract. Daily trading limit above or below previous close is 2¢, and maximum range is 2¢.

In addition to providing services and facilities for trading in and inspection of commodities, the Exchange provides services for the shipping and export trade, and thus is naturally interested in seeing that New York City obtains a larger share of the movement of grain and other commodities for export abroad.

Government.—Government of the Exchange is vested in 15 officers and managers, the officers consisting of a President, Vice-President, Treasurer, and Managing Director. Executive Committee consists of the President as Chairman, and five others consisting of the Managing Director, the Vice-President, the Treasurer, and two of the Managers. Committees are as follows: Publicity, Arbitration, Complaints, Admissions, Trade and Transportation, Steamship Affairs, Grain, Pepper, Soybean Oil, Vegetable Oils, Waxes and Fats, Animal Oils and Fats, Petroleum, Cottonseed Products, and Flour. In addition to the Executive Offices, which include the Floor Statistical Department and Trade and Transportation, departments include the Building Department, Grain (including offices in Buffalo, N. Y., Albany, N. Y., Erie, Pa. and Norfolk, Va.), Flour Department, and Chemistry Bureau.

The total bushels of grain and flaxseed inspected and weighed at all inspection points operated by the Grain Inspection Department amounted to 215,636,436 bushels for 1947, or approximately 41% greater than for the previous 12 months period. Almost the entire gain occurred at points operated outside New York, namely Albany, Buffalo, Norfolk and Erie, Pa.

In November, 1928, the Board of Managers instituted a securities department, known as the Security Market of the Exchange and adopted a code of rules for dealing in unlisted securities. Formal trading in the securities department began December 19, 1928.

Due to lack of business and unwillingness to qualify as a registered exchange under the Securities and Exchange Act, the securities department of the New York Produce Exchange ceased operations at the close of business on February 25, 1935.

NEW YORK REAL ESTATE BOARD

The Real Estate Board of New York, Inc., located at 12 East 41st Street, New York, N. Y., was established in February, 1896, and incorporated on April 2, 1898. Its objects are:

(1) The formation of an association of those professionally engaged in the real estate business, land owners and persons interested in real estate and the welfare of the State and City and to make the Board the center of real estate interests in New York.

(2) To protect and promote the mutual interests of its members, and to facilitate negotiations in real estate.

(3) To promote and encourage the enactment of laws beneficial to and take united action upon legislative and municipal matters affecting real estate.

(4) To oppose and take necessary measures to prevent the enactment or enforcement of unjust or obnoxious legislation, and secure an efficient and economical administration of the affairs of the State and City.

(5) To secure an equitable and uniform system of taxation.

(6) To advocate necessary public improvements and oppose unnecessary, extravagant and wasteful expenditures of public funds.

The Board is managed by a Board of Governors acting under a constitution; by two elected committees, auditing and nominating, and eleven standing committees as follows: admissions, appraisals, arbitration, city planning, ethics, commissions and professional practices, finance, grievances, house, legislation, taxation and assessments, and records. There are also about thirty special committees. There is also a "Management Division" of the Board guided by a board of directors. The Brokerage Division and Owners Division each have executive boards. The board room is equipped with special consulting rooms, maps, property records, telephones and other essential features necessary to the modern administration of such a service organization.

The Real Estate Board is concerned with municipal and state legislation affecting real estate, and in cooperating with other organizations in upholding the real estate interests of New York City. It publishes monthly reports of statistical studies covering bona fide open market sales of Manhattan realty, completed foreclosures, and surrenders to mortgagees in lieu of foreclosure.

NEW YORK RUBBER EXCHANGE

As a separate entity this exchange no longer exists. As of July 5, 1933, its activities were merged with the Commodity Exchange, Inc. (q. v.).

NEW YORK SAVINGS BANKS

Deposits of savings banks in New York State reached a total of over $10 billions and number of accounts, over 7,200,000 as of June 30, 1948. Rate of growth of new savings of New York State savings banks has been higher in the past six years than that in adjoining states. During the first four months of 1948, New York savings banks accounted for 82% of the net new deposits received by all mutual savings banks in the United States. Net gain in deposits of New York savings banks for the first half of 1948 totaled $229 million, or 2.3%, and savings accounts increased 109,849 in number, compared with gains of $304 million in deposits (3.7%) and 111,909 in number of accounts in the first half of 1947.

For legal investments for New York savings banks, see Legal Investments for Savings Banks.

NEW YORK SECURITY DEALERS ASSOCIATION

An association of dealers in unlisted or over-the-counter securities, in New York City, and the largest organization of its kind in the country. This association is a combination formed in 1926 of two predecessor associations: (1) Unlisted Security Dealers Association, and (2) Association of Bank Stock Dealers. Its organization is patterned after the leading stock exchanges,

with a constitution, and rules and regulations. There is a board of governors of twelve members, from which the officers are chosen, and standing committees, e. g., public relations, business conduct, securities, admissions, arbitration and nominating. There are also five special committees--uniform practice, real estate securities, law and interpretation of SEC regulations, credit information, and municipal bonds.

There are about 94 member firms of the association. The daily quotations service on Over-the-Counter securities formerly furnished to newspapers by the association was assumed by the National Association of Securities Dealers, Inc., when the latter body was formed upon passage of the Maloney Act, an amendment to the Securities Exchange Act of 1934, in June, 1938. (See National Association of Securities Dealers, Inc., Over-the-Counter Market.)

NEW YORK SOCIETY OF SECURITY ANALYSTS

A non-profit membership corporation formed in 1937 to foster the interchange of information and opinion among analysts engaged in research in various branches of finance and economics; to improve analytical techniques; to establish and maintain a high standard of professional ethics; and to advance public understanding of the functions of financial analysts and the operation of the security and commodity markets.

Original membership, in 1937, was about 20. This has grown to over 1,000 in 1948. Membership is open to any person 21 years of age or over, who has been regularly engaged in the capacity of security analyst for a period of three years or longer, as an employee, officer or partner of a security house, bank or other financial organization, and regularly engaged in this capacity at the time of application. All persons seeking membership shall be sponsored by a member in good standing. Enlargement of the membership of the Society is now limited each year to 10% of the existing membership at the end of each fiscal year.

Officers consist of a President, Vice-President, Secretary, and Treasurer, and an Executive Committee consists of these officers and 15 other members. Standing committees are maintained on Membership, Standards, Program, Constitution, Employment, Publications, and House.

Regular publication is the quarterly The Analysts Journal, whose first number appeared in January, 1945. Luncheon forums are held about three times weekly, except during the summer, at which leaders in business and finance are invited to address the members on such subjects as rails, utilities, industrials and special subjects.

On June 11, 1947, the National Federation of Financial Analysts Societies was formed, consisting of the Boston Security Analysts Society, Investment Analysts Club of Chicago, Los Angeles Society of Security Analysts, New York Society of Security Analysts, Inc., and the Financial Analysts of Philadelphia.

NEW YORK STATE INCOME TAX

New York State adopted an income tax law in 1919, applicable for the first time to incomes for the year 1920. The tax is imposed upon the net income and net capital gain of residents from all sources and upon non-residents from property owned or business carried on within the State, at non-discriminatory rates for residents and non-residents. The tax also applies to resident and non-resident trusts and estates.

Statute imposing the tax is Article 16 of the Tax Law (Chapter 60, Consolidated Laws). In addition, the Tax Commission has issued official regulations interpreting the statute.

Rates are progressive in principle. At the present time, ordinary tax rates are graduated as follows:

2% on net income not exceeding $1,000;
3% on net income in excess of $1,000, not exceeding $3,000;
4% on net income in excess of $3,000, not exceeding $5,000;
5% on net income in excess of $5,000, not exceeding $7,000;
6% on net income in excess of $7,000, not exceeding $9,000;
7% on net income in excess of $9,000.

The tax on net capital gains is graduated in accordance with the above scale, at one-half of the above normal rates.

Personal exemptions are: individual, single or married but not living with husband or wife, $1,000; married person, living with husband or wife, $2,500; head of family, $2,500; credit of $400 for each dependent, including a dependent over 18 years of age if attending an accredited school or college.

For several years, the Legislature has authorized each year a reduction of the normal tax. The above rates were reduced 25% for the years 1941, 1942, 1943 and 1944. Reduction for the years 1945 and 1946 was 50%. For 1947, the rates were increased 10% after giving effect to the 50% reduction, or a net reduction of 40% for 1947. This 10% increase reflected financing in part of bonus payment to World War II veterans authorized by the new Section 18 of the New York State Constitution, an amendment approved by State voters at general election held November 4, 1947.

NEW YORK STOCK EXCHANGE

A voluntary, unincorporated association without capital, but registered as a "national securities exchange" on September 1, 1934, in conformity with the requirements of section 6 of the Securities Exchange Act of 1934 (q. v.). This latter Act brought the New York Stock Exchange (as well as other stock exchanges) under Federal regulation for the first time in their history through the Securities and Exchange Commission.

History.--The first organized stock market in New York City, constituting the beginnings of the present New York Stock Exchange, had its origins on May 17, 1792, when 24 brokers met and subscribed to an agreement in respect to commission charges in front of what is now 68 Wall Street. Operating as an out-doors market, meetings were held in various locations, including the Tontine Coffee House at Wall and Water Streets. On March 8, 1817, a constitution and the name "New York Stock and Exchange Board" were adopted. A month later, on April 8, 1817, the exchange moved indoors, renting a second-floor room at 40 Wall Street.

On December 16, 1835, a fire destroyed 648 buildings in New York, including the Merchants Exchange on Wall Street, where the exchange was then housed. From 1853 to 1865, the exchange was located at the corner of Wall and Beaver Streets. On January 29, 1863, the title of the exchange was changed from "New York Stock and

Exchange Board'' to the ''New York Stock Exchange,'' and on the following day the first subsidiary, The New York Stock Exchange Building Company, was organized. Later the same year, the building subsidiary purchased the first property at 13 Wall Street and 4 New Street. Removal into the first building of its own took place on December 9, 1865, at 10 and 12 Broad Street, which is a part of the present site. This building was replaced by a new 10-story structure at 18 Broad Street, which was opened April 23, 1903.

With the territorial and economic development of the United States new sources of capital were created and new issues of securities were absorbed rapidly by the public. The consequent broadening of the market for securities made it necessary for the exchange authorities to seek larger quarters, and a new site was chosen in 1879 on Broad Street, near Wall Street, the present location. In 1923, a 22-story addition was completed at the corner of Broad and Wall Streets in order to provide additional facilities. The handling of the greatly increased business of recent years called not only for more commodious quarters but for a higher type of market organization. This was provided by the perfection of the means of communication and reporting—the telegraph, telephone, and electrically operated quotation tickers. The present elaborate communication system of member houses permits the public in distant parts of the country to transact business on the exchange on a practical equality with traders in New York City.

Subsidiaries.—The New York Stock Exchange wholly owns the stock of three subsidiary companies, namely: New York Stock Exchange Building Company; Stock Clearing Corporation; and New York Quotation Company.

Publication of Financial Statements.—For the first time in its history, the New York Stock Exchange on October 29, 1934, released for publication its financial statements for the year 1933. This information, including a balance sheet as of December 31, 1933, and an income account for the year 1933, both for the New York Stock Exchange, and consolidated statements including subsidiaries, was made public in connection with the registration of the exchange as of October 1, 1934, under the Securities Exchange Act of 1934. These statements are required periodically, but the Exchange and Securities Commission may, in its discretion, withhold their publication. Latest financial statements are appended herewith.

Functions.—The functions of the exchange may be stated as follows: (1) it provides for the transfer of ownership of America's leading stocks and bonds, making it possible for owners to sell securities after they are once acquired; in active issues liquidation of holdings or accumulation of investments may be consummated almost instantly; (2) by means of published daily quotations, holders of securities are enabled to determine their market value at all times and bankers who make collateral loans can determine whether margin requirements are continuously satisfactory; (3) it furnishes an important barometer of business conditions, quoted prices being the result of the composite judgment of investors and speculators, and rising or falling in accordance with the trend of business profits and profit prospects; and (4) it makes possible the quotation of securities having no maturity or long-deferred maturities—the proceeds of which are invested by corporations in plant, machinery and other instruments of production; without a place to sell securities, investors would hesitate to so place their funds without the knowledge that they could dispose of them in case circumstances required their conversion into cash; thus, the Stock Exchange is a part of the machinery of raising long-term capital without which it would never have been possible for American industry to assume a position of world supremacy.

The New York Stock Exchange is the most important stock exchange in the world, and according to its constitution, has the following objects: ''to furnish exchange rooms and other facilities for the convenient transaction of their business by its members as brokers; to maintain high standards of commercial honor and integrity among its members; and to promote and inculcate just and equitable principles of trade and business.''

Membership.—Until 1929, membership was limited to 1,100, who after admission, pay for their ''seats'' and contribute annual dues. There are upwards of 200 out-of-town members, who seldom appear on the floor of the exchange. The membership represents about 400 firms, most of which have non-member partners.

On February 7, 1929, the members of the Exchange approved the sale of 275 new ''seats,'' or memberships, equivalent to a 25 per cent. ''stock dividend''. Each member of the Exchange was given the right to one-quarter of a new membership which he could dispose of within three years by sale or transfer. This increased the membership to 1,375. There are also allied members, the number of whom is not limited. There are some 2,300 allied members. Membership represents some 600 firms.

Many members maintain branch offices and ''wire correspondents'' scattered throughout the United States and Canada and a few have offices in London, Paris and Berlin. Memberships belong only to individuals and not to firms or corporations; banks are therefore automatically excluded. When one member of the firm is a member of the stock exchange the firm is permitted to advertise itself as ''Members of the New York Stock Exchange.'' Trading on the floor of the exchange, however, is confined to individual members exclusively. Each member who represents a firm is as responsible for the conduct of the firm as though it were his individual conduct, but he may make contracts in the firm's name. The privileges of membership consist of the right to trade on the floor of the exchange for one's own account without commission, or for the account of others with a commission, or by another member at members' rates. The estate of a deceased member participates in a death benefit.

A membership is secured by purchasing a seat from a retiring, deceased or expelled member, members being elected for life unless they resign or are expelled. Expulsion involves forfeiture of membership, but not the proceeds of sale of such membership. Whenever explusion is caused by insolvency the proceeds of sale of the member's seat are applied to creditors' or members' claims.

Government.—Government of the Exchange was reorganized and simplified in 1938 as the result of the recommendations of the Conway Committee, and further reorganized since. As a result, the former system of standing committees was eliminated, and administration of the Exchange is now organized in departments. Government of the Exchange is vested in the Board of

Governors, consisting of the following: (1) the Chairman of the Board of Governors, who shall be a member of the Exchange; (2) the Vice-Chairman of the Board of Governors, who shall be a Governor and a member of the Exchange; (3) the President of the Exchange, who shall not engage in any other business during his incumbency and who if a member of the Exchange at the time of his election, shall promptly thereafter dispose of his membership; (4) twenty Governors, being both members and allied members or non-members; and (5) two representatives of the public; total, 25 Governors.

The Board of Governors is vested with all powers necessary for the government of the Exchange, the regulation of business conduct of members and allied members, and the promotion of the welfare, objects and purposes of the Exchange. In the exercise of such powers, the Board may adopt such rules, issue such orders and directives and make such decisions as it may deem appropriate. The Board may prescribe and impose penalties for the violations of rules adopted pursuant to the constitution, and for neglect or refusal to comply with orders, directives or decisions of the Board, or for any offense against the Exchange the penalty for which is not specifically prescribed by the constitution. The Board may delegate such of its powers as it may from time to time determine, subject to the provisions of the constitution, to the President, to the other officers and employees of the Exchange, and to such committees, composed either of Governors or otherwise, as the Board may from time to time authorize. Any member, allied member or member firm affected by a decision of any officer, employee or committee acting under powers delegated by the Board may require a review by the Board of such decision, by filing with the Secretary of the Exchange a written demand therefor within 10 days after the decision has been rendered.

The Board of Governors, by an affirmative vote of a majority of the Governors then in office, shall elect the President of the Exchange, to serve at the pleasure of the Board, and shall fix his compensation. At its organization meeting following the annual election of the Exchange, the Board by the affirmative vote of a majority of the Governors then in office, shall elect the Vice-Chairman of the Board, who shall be a Governor and a member of the Exchange. Promptly after the annual election of the Exchange, the Board of Governors on the nomination of the President, shall by the affirmative vote of a majority of the Governors then in office, elect to the Board two representatives of the public, to hold office until the next annual election of the Exchange.

The President shall be the chief officer and the chief executive officer of the Exchange, responsible for the management and administration of its affairs, and shall be the official representative of the exchange in all public matters. He shall during his incumbency be a member of the Board of Governors and ex officio a member of any committee authorized by the Board of Governors. The President may call special meetings of the Board of Governors. Subject to the approval of the Board, the President shall appoint officers of the Exchange other than the Chairman and Vice-Chairman of the Board, and also has jurisdiction over employees.

Annual election of the Exchange is held on the second Monday in May in each year. The members by ballot at such election elect the Chairman of the Board of Governors for a 1-year term and also the non-public Governors in rotating groups for 3-year terms. The members also elect a nominating committee for a 1-year term, but the members may by petition nominate their own nominees, provided any such nominee is endorsed by not less than 40 members, and no member shall endorse more than 1 nominee, and provided also that 100 members may by petition propose an entire ticket or any portion thereof.

In addition to the President, officers consist of an Executive Vice-President; a First Vice-President; two Vice-Presidents; a Vice-President and Treasurer; a Secretary; a Chief Examiner; an Assistant Vice-President and Assistant Treasurer as well as Assistant Secretary; and two Assistant Chief Examiners. The Stock Clearing Corporation is headed by a First Vice-President; the New York Stock Exchange Building Company, by a Vice-President and Secretary; and the New York Quotation Company, by a Vice-President and Secretary.

Volume of Trading.—In its earliest days, the New York Stock Exchange was principally a bond market, as an outgrowth of the public interest in the first United States bonds authorized by Congress in 1790. The physical separation of bond from stock dealing took place in 1902, when the so-called "bond crowd" was formed. When the present trading floor was opened for business in 1903, the "bond crowd" occupied a platform at the east wall. Trading was at the rate of about three-quarters of a billion dollars in bonds each year up to 1914. Transactions ranged between three and four hundred a day and quotations were printed on the stock ticker.

By 1917 dealings in bonds had reached such large proportions that the old quarters no longer sufficed and a new space was allotted to that market in the northeast corner of the floor, a space two and one-half times as large as formerly, and sixty telephones were installed as against the former number of twenty-four. In 1918 total trading in bonds increased about one hundred per cent., due principally to the listing of the large issues of United States Liberty Loans. Congestion caused by printing the stock and bond quotations on the same ticker was so acute that it was necessary to install an entirely separate ticker system for bonds alone. This was accomplished at the beginning of 1919, and in April of that same year the Liberty Loan issues were divided from the rest of the list and placed in a separate space.

During 1921 foreign bonds were separated from the general list and place on the north wall, with twenty more telephone spaces added, making the total of these booths 104. In October, 1922, when the new building at 11 Wall Street was opened, the bond crowd was moved into the eastern half of the new board room, and industrial issues split into "book bonds" and "free bonds." This space, many times larger than that which only five years before had seemed ample to provide for all of the needs of the bond crowd, soon became congested and in November, 1923, the partition separating the stock and bond crowds in the new trading room was moved farther to the west to provide greater floor space for the bond traders.

On May 14, 1928, the new Bond Room, located in 20 Broad Street and connected directly with the Stock Exchange floor, was opened for trading. This room added about 6,000 square feet of space to the Exchange's trading floor and, in addition to providing increased

facilities for the purchase and sale of bonds, it also made possible the extension of the space devoted only to stocks by permitting the installation of stock posts in the section previously alloted to bonds.

These changes in the facilities for bond trading reflect also the expansion in stock trading, which began in the early '20s to assume large proportions until it has outstripped bond trading in both number of issues listed and in value of trading volume.

Publications.—In addition to listing statements, which provide statistical information concerning listing companies at least once a year, the exchange publishes the following: (1) notices to members, (2) "The Exchange", monthly magazine, (3) the President's annual report, and (4) year-book (occasionally).

Securities are listed on the exchange by application to the department of stock list, the decisions of which are subject to review by the board of governors. The exchange is as exclusive in admitting securities as it is in admitting members. The tests and qualifications for admission are treated under Listed Securities (q. v.). Corporations whose securities are listed are required to furnish stockholders with complete annual statements of condition and profit and loss.

The hours for trading are from 10 A. M. to 3 P. M., except on Saturday, when the exchange is open from 10 A.M. to noon, except during the summer months. The floor is open at 9:30 A.M. in order to give members time to arrange for borrowing money and for borrowing and lending stocks. Settlements of active stocks and bonds are made through the Stock Clearing Corporation, daily except Saturday.

Quotation Department.—In September, 1928, the exchange inaugurated, under the supervision of the Committee of Arrangements, a new quotation system for the reporting of bid and asked quotations from the floor of the exchange to members' offices. Installed experimentally at first, the plan was an immediate success and, by February, 1929, full service was being given from all posts on the floor.

Financial Statements.—For the first time in its history, the New York Stock Exchange released for publication its financial records on October 29, 1934. This information was made public in connection with the registration of the exchange under the Securities Exchange Act of 1934, and, under the law, must be kept up to date.

The latest consolidated balance sheet of the New York Stock Exchange, New York Stock Exchange Building Company, New York Quotation Company, and Stock Clearing Corporation are appended herewith.

Number of Issues Listed.—The number of individual issues listed on the New York Stock Exchange on the first of each year since 1867 compares as follows:

Year	Stocks	Bonds	Total
1867	148	175	323
1868	152	162	314
1869	145	195	340
1870	143	200	343
1871	147	203	350
1872	158	230	388
1873	158	274	432
1874	152	279	431
1875	163	348	511
1876	160	345	505
1877	163	334	497
1878	159	329	488
1879	174	347	521
1880	219	408	627
1881	250	445	695
1882	284	533	817
1883	304	571	875
1884	315	610	925
1885	310	628	938
1886	293	639	932
1887	308	678	986
1888	338	704	1,042
1889	346	727	1,073
1890	354	742	1,096
1891	342	760	1,102
1892	375	833	1,208
1893	388	874	1,262
1894	387	900	1,287
1895	370	924	1,294
1896	383	936	1,319
1897	379	905	1,284
1898	390	884	1,274
1899	388	881	1,269
1900	377	839	1,216
1901	376	827	1,203
1902	379	855	1,234
1903	384	891	1,275
1904	383	903	1,286
1905	374	907	1,281
1906	381	929	1,310
1907	393	937	1,330
1908	389	929	1,318
1909	402	984	1,386
1910	426	1,013	1,439
1911	454	1,053	1,507
1912	480	1,069	1,549
1913	521	1,083	1,604
1914	511	1,082	1,593
1915	511	1,096	1,607
1916	540	1,149	1,689
1917	613	1,171	1,784
1918	627	1,102	1,729
1919	612	1,131	1,743
1920	691	1,114	1,805
1921	756	1,115	1,871
1922	792	1,156	1,948
1923	778	1,234	2,012
1924	889	1,262	2,151
1925	927	1,332	2,259
1926	1,043	1,367	2,410
1927	1,081	1,420	2,501
1928	1,097	1,491	2,588
1929	1,176	1,534	2,710
1930	1,293	1,543	2,836
1931	1,308	1,607	2,915
1932	1,278	1,601	2,879
1933	1,237	1,549	2,786
1934	1,209	1,568	2,777
1935	1,187	1,540	2,727
1936	1,185	1,463	2,648
1937	1,212	1,409	2,621
1938	1,259	1,376	2,635
1939	1,237	1,393	2,630
1940	1,233	1,395	2,628
1941	1,230	1,295	2,525
1942	1,232	1,173	2,405
1943	1,238	1,136	2,374
1944	1,237	1,096	2,333
1945	1,259	1,063	2,322

Year	Stock	Bonds	Total
1946	1,269	982	2,251
1947	1,334	925	2,259
1948	1,379	900	2,279

Volume of Trading Since 1900.—The following table presents a comparison of the annual reported volume of trading in stocks and bonds on the New York Stock Exchange since 1900:

Year	Stocks (Shares)	Bonds (Shares)
1900	139,074,651	$577,763,080
1901	264,951,308	994,554,830
1902	186,733,710	893,048,032
1903	158,578,700	686,434,850
1904	186,921,488	1,032,653,647
1905	260,557,777	1,026,452,550
1906	282,206,863	677,183,331
1907	194,635,640	529,833,269
1908	194,544,462	1,081,172,520
1909	212,419,698	1,314,423,665
1910	163,704,819	634,860,010
1911	125,852,824	889,073,610
1912	131,488,148	673,426,920
1913	82,849,155	501,530,320
1914	47,431,227	461,649,200
1915	172,496,774	961,698,900
1916	232,633,124	1,148,159,550
1917	184,623,326	1,034,568,500
1918	143,279,573	2,012,365,300
1919	318,272,910	3,676,100,600
1920	227,635,768	3,868,421,700
1921	172,778,535	3,386,159,000
1922	260,890,802	4,145,568,008
1923	236,482,731	2,744,966,900
1924	284,044,082	3,801,963,000
1925	459,717,623	3,427,042,210
1926	451,868,353	3,015,344,915
1927	581,702,342	3,307,239,382
1928	930,893,276	2,835,831,560
1929	1,124,608,910	2,996,398,000
1930	810,632,546	2,730,301,800
1931	576,765,412	2,969,770,600
1932	425,234,294	2,991,244,000
1933	654,816,452	3,355,646,000
1934	323,845,634	3,701,916,000
1935	381,635,752	3,339,458,000
1936	496,046,869	3,576,878,000
1937	409,464,570	2,792,531,000
1938	297,466,722	1,859,865,000
1939	262,029,599	2,046,083,000
1940	207,599,749	1,669,438,000
1941	170,603,671	2,111,805,000
1942	125,685,298	2,311,479,250
1943	278,741,765	3,254,717,725
1944	263,074,018	2,694,704,000
1945	377,563,575	2,261,985,110
1946	363,709,312	1,364,174,150
1947	253,623,894	1,075,541,420

Membership or "Seat" Prices.—The following is a record of the high and low prices paid for memberships each year since 1869.

Year	High	Low
1869	$7,500	$3,000
1870	4,500	4,000
1871	4,500	2,750
1872	6,000	4,300
1873	7,700	5,000
1874	5,000	4,250
1875	6,750	4,250
1876	5,600	4,000
1877	5,750	4,500
1878	9,500	4,000
1879	16,000	5,100
1880	26,000	14,000
1881	30,000	22,000
1882	32,500	20,000
1883	30,000	23,000
1884	27,000	20,000
1885	34,000	20,000
1886	33,000	23,000
1887	30,000	19,000
1888	24,000	17,000
1889	23,000	19,000
1890	22,500	17,000
1891	24,000	16,000
1892	22,000	17,000
1893	20,000	15,250
1894	21,250	18,000
1895	20,000	17,000
1896	20,000	14,000
1897	22,000	15,500
1898	29,750	19,000
1899	40,000	29,500
1900	47,500	37,500
1901	80,000	48,500
1902	81,000	65,000
1903	82,000	51,000
1904	81,000	57,000
1905	85,000	72,000
1906	95,000	78,000
1907	88,000	51,000
1908	80,000	51,000
1909	94,000	73,000
1910	94,000	65,000
1911	73,000	65;000
1912	74,000	55,000
1913	53,000	37,000
1914	55,000	34,000
1915	74,000	38,000
1916	76,000	60,000
1917	77,000	45,000
1918	60,000	45,000
1919	110,000	60,000
1920	115,000	85,000
1921	100,000	77,500
1922	100,000	86,000
1923	100,000	76,000
1924	101,000	76,000
1925	150,000	99,000
1926	175,000	133,000
1927	305,000	170,000
1928	595,000	290,000
1929*	625,000	550,000
1929**	495,000	350,000
1930	480,000	205,000
1931	322,000	122,000
1932	185,000	68,000
1933	250,000	90,000
1934	190,000	70,000
1935	140,000	65,000
1936	174,000	89,000
1937	134,000	61,000
1938	85,000	51,000

Year	High	Low
1939	70,000	51,000
1940	60,000	33,000
1941	35,000	19,000
1942	30,000	17,000
1943	48,000	27,000
1944	75,000	40,000
1945	95,000	49,000
1946	97,000	61,000
1947	70,000	50,000

*To February 18, 1929.
**Ex-Rights.

Short Interest Statistics.—See under Short Sale, herein.

(See Broker, Listed Securities, Margin Buying, Methods of Trading, New York Stock Exchange Abbreviations, New York Stock Exchange Clearing House, Odd Lots, Orders, Post, Room Trader, Seat, Specialists, Ticker, Wall Street.)

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CONSOLIDATED BALANCE SHEET OF THE NEW YORK STOCK EXCHANGE, NEW YORK STOCK EXCHANGE BUILDING COMPANY, NEW YORK QUOTATION COMPANY, AND STOCK CLEARING CORPORATION

Assets

	Dec. 31, 1947	Dec. 31, 1946
Cash	$1,040,454.53	$1,033,358.65
Accounts Receivable from Members or Their Firms	688,637,48	854,209.84
Accounts Receivable, Others	22,823.18	23,036.67
Estimated Refund on Federal Income Tax of Prior Years	35,094.00	.....
Loans to Employees	1,755.60	498.00
United States Government Securities (Market Value, $8,161,684.57 at Dec. 31, 1947)	8,147,710.00	8,252,020.00
Accrued Interest Receivable	58,124.43	31,501.98
Prepaid Taxes, Insurance, etc.	379,274.82	317,020.00
Cash Deposited in Special Funds (Contra):		
Stock Clearing Corp. Clearing Fund	$8,380,000.00	$10,850,000.00
Stock Clearing Corp. Mark to Market Deposits	236,054.37	134,323.69
Stock Clearing Corp. Deposits Account of Special Intermediate Clearances	3,705,186.86	14,295,563.60
Deposits in Connection with Membership Transfers	80,600.00	.....
	$12,401,841.23	$25,279,887.29
Bonds Deposited Under Franchise, at Cost (Market Value $23,700 at Dec. 31, 1947)	$21,125.00	$21,125.00
Deferred Charges	$246,125.19	$50,128.04
Fixed Assets (See Footnote):		
Buildings and Improvements	$18,430,121.02	$18,355,281.49
Furniture and Fixtures	119,417.32	107,768.90
Ticker Equipment	1,092,654.07	1,092,654.07
	$19,642,192.41	$19,555,704.46
Less Reserve for Depreciation	12,489,703.90	11,987,417.84
	$ 7,152,488.51	$ 7,568,286.62
Land	9,551,424.58	9,551,424.58
	$16,703,913.09	$17,119,711.20
Total Assets	$39,746,878.55	$52,982,496.67

Liabilities		
Accounts Payable	$ 341,057.51	$ 471,734.40
Accrued Payroll	138,400.50	93,607.22
Accrued Taxes and Other Current Liabilities	55,539.92	493,575.43
	$ 534,997.93	$ 1,058,917.05
Unearned Income	$ 10,277.22	$ 10,283.68
Deposits in Special Funds (Contra):		
Stock Clearing Corp. Clearing Fund	$ 8,380,000.00	$10,850,000.00
Stock Clearing Corp. Mark to Market Deposits	236,054.37	134,323.69
Stock Clearing Corp. Deposits Account of Special Intermediate Clearances	3,705,186.86	14,295,563.60
Deposits in Connection with Membership Transfers	80,600.00	.....
	$12,401,841.23	$25,279,887.29
Capital Investment of the Exchange	$26,799,762.17	$26,633,408.65
Total Liabilities	$39,746,878.55	$52,982,496.67

Footnotes:

The amount stated for fixed assets is book value based upon cost; allocated between land and buildings, and depreciated to meet tax requirements. The assessed value of land and buildings for the current year was $16,500,000.

Contingent liabilities: Litigation is pending against the Exchange and its affiliated companies in which complaints served seek recoveries aggregating $626,113.35.

Consolidated statement of income and expenses of the New York Stock Exchange, New York Stock Exchange Building Company, New York Quotation Company, and Stock Clearing Corporation for the year ended December 31, 1947 compared with that for the year ended December 31, 1946 is given below:

Income:	Year Ended Dec. 31, 1947	Year Ended Dec. 31, 1946
Membership dues	$1,031,250.00	$1,029,023.98
Telephone spaces and other floor charges	450,279.62	447,972.35
Charge on commissions	1,047,189.04	1,589,699.15
Stock Clearing Corporation charges	1,204,645.37	1,567,894.41
Rents, including light and power	554,035.64	421,265.76
New York Quotation Co. ticker service	453,389.49	419,425.04
Western Union, Trans-Lux and Teleregister	170,095.55	170,967.58
Quotation division charges	336,214.29	357,997.47
Listing fees	1,466,148.08	1,773,990.88
Registration and application fees; other offices, partners, registered employees, wire connections	164,455.00	166,640.00
Subscriptions, services, etc.	17,184.63	17,822.68
Fines and powers of attorney	16,517.13	34,286.75
Interest, discounts	111,627.19	109,764.51
All other income	38,798.81	39,692.91
Gross Income	$7,061,829.84	$8,146,443.47

Expenses:	Year Ended Dec. 31, 1947	Year Ended Dec. 31, 1946
Salaries and wages	$4,104,032.48	$3,808,101.96
Group insurance, annuities and other employee expenses	272,375.16	232,725.01
Social security and unemployment taxes	115,542.17	94,265.77
Building maintenance, light, heat, etc.	274,860.06	287,839.12
Rent	191,151.87	155,791.33
Real estate taxes	488,612.87	490,139.66
Miscellaneous taxes	71,944.43	91,741.30
Advertising	464,452.25	798,108.78
Printing, stationery, postage, etc.	242,122.26	206,034.12
Telephone and telegraph	90,174.28	88,996.31
Professional services - research	44,303.01	62,880.78
Legal and other professional services	128,012.10	118,406.09
Travel, meals and officers' expenses	78,155.55	64,878.27
Meeting fees	39,895.00	31,215.00

Expenses: (Continued)	Year Ended Dec. 31, 1947	Year Ended Dec. 31, 1946
Insurance	19,356.11	17,255.25
Interest expense	1,628.03	.....
Rents and accounts charged off	246.37	.....
All other expense	43,707.90	25,359.99
Total Expenses	$6,670,571.90	$6,573,738.74
Net Income before Depreciation and Federal Income Taxes	$ 391,257.94	$1,572,704.73
Depreciation	542,523.36	557,406.39
Net Loss or Profit before Taxes	$ 151,265.42*	$1,015,298.34
Federal Income Tax	.....	408,837.40
Estimated recovery of Federal Income Taxes paid for prior years	35,094.00	.....
Net Loss or Profit for the Year	$ 116,171.42*	$ 606,460.94

*Loss.

The statement of condition, and the condensed statement of operations submitted by Trustees of the Gratuity Fund of the New York Stock Exchange, are as follows:

Statement of Condition

	Dec. 31, 1947	Dec. 31, 1946
Assets		
Cash	$ 341,745.19	$ 17,954.64
Due from Treasurer of the Exchange: In respect of contributions levied when and as collected from Members	125,055.00	164,880.00
Securities (See Schedule below)	328,307.50	573,625.00
(Market value: 1947, $329,995.00)		
(Market value: 1946, $578,117.19)		
Total Assets	$ 795,107.69	$ 756,459.64
Liabilities and Surplus		
Gratuities payable	$ 270,000.00	$ 235,000.00
Due to Treasurer of the Exchange pursuant to Article XVI, Section 7 of the Constitution	20,610.00	.....
Total Liabilities	$ 290,610.00	$ 235,000.00
Surplus per books	504,497.69	511,459.64
Total Liabilities and Surplus	$ 795,107.69	$ 756,459.64
Statement of Net Worth		
Surplus per books	$ 504,497.69	$ 521,459.64
Add: Valuation of Investment Securities to Market	1,687.50	4,492.19
Net Worth of the Gratuity Fund (Securities at Market Value)	$ 506.185.19	$ 525,951.83

Condensed Statement of Operations
For the Year Ended December 31, 1947

Balance of Surplus per Books at December 31, 1946		$521,459.64
Contributions payable during year by members (1,374) on 27 deaths occurring in year, at $15	$ 556,470.00	
Less: Amounts appropriated during year by Trustees, pursuant to Article XVI, Section 7 and, paid or payable to Treasurer of the Exchange for credit against amounts payable by members	41,220.00	
		515,250.00
Initial contribution from 57 members elected during the year, at $15		855.00
Interest income		9,020.55
Profit on securities sold during year		62.50
Total		$1,046,647.69

Deduct		
Gratuities paid or payable to families of 27 members deceased during year	540,000.00	
Miscellaneous expenses	2,150.00	
		542,150.00
Balance of Surplus per Books at December 31, 1947		$ 504,497.69
Net Worth of Gratuity Fund at December 31, 1946	$525,951.83	
Net Worth of Gratuity Fund at December 31, 1947	506,185.19	
Net Reduction in Net Worth During Year	$19,766.64	

Schedule of Investments and Valuation at Market, of the Gratuity Fund of the New York Stock Exchange

As of December 31, 1947 - Not Including Accrued Interest

Par Value		
$150,000	United States of America, Treasury Bonds, 2%, due December 15, 1954-52	$151,687.50
10,000	United States of America, Savings Bonds, Series D, Registered, due February 1, 1949	9,400.00
10,000	United States of America, Savings Bonds, Series D, Registered, due March 1, 1950	9,000.00
67,500	United States of America, Savings Bonds, Series F, Registered, due December 1, 1954	53,797.50
135,000	United States of America, Savings Bonds, Series F, Registered, due March 1, 1955	106,110.00
	Total Valuation	$329,995.00

NEW YORK STOCK EXCHANGE ABBREVIATIONS

The following abbreviations are used in transactions by New York Stock Exchange houses, and by the New York Quotation Company for ticker quotations, in indicating stocks listed on the New York Stock Exchange as of January 1, 1948. For explanation of their use on the ticker, see at end of abbreviations.

A

Symbol	Name of Stock
ABT	Abbott Laboratories
AST	*Abraham & Straus, Inc.
BRM	ACF-Brill Motors Co.
ACO	Acme Steel Co.
ADX	Adams Express Co.
ALL	Adams-Millis Corp.
AIN	Addressograph-Multigraph Corp.
ADL	Admiral Corporation
AN	Air Reduction Co., Inc.
ALM	*Alabama & Vicksburg Railway Co.
AJ	Alaska Juneau Gold Mining Co.
AUD	Aldens, Inc.
AUD Pr	*Aldens, Inc., Cum. Pfd., 4 1/4% Series.
Y	Alleghany Corp.
Y Pr	Alleghany Corp., Pfd., Ser. A.
Y Prior	Alleghany Corp., Prior Pfd.
AG	Allegheny Ludlum Steel Corp.
AY	*Allegheny & Western Railway Co.
ANL	Allen Industries, Inc.
ACD	Allied Chemical & Dye Corp.
KID	Allied Kid Co.
ADS	Allied Mills, Inc.
LS	Allied Stores Corp.
LS Pr	Allied Stores Corp., 4% Cum. Pfd.
AH	Allis-Chalmers Manufacturing Co.
AH Pr	Allis-Chalmers Mfg. Co., 3 1/4% Cum. Pfd.
AHP	Alpha Portland Cement Co.
ALR	Amalgamated Leather Cos., Inc.
ALR Pr	Amalgamated Leather Cos., Inc., Cv. Pfd.
ARC	Amerada Petroleum Corp.
AHD	Am. Agricultural Chemical Co.(Delaware)
AMR	American Airlines, Inc.
AMR Pr	American Airlines, Inc., 3 1/2% Cum. Pfd.
ABN	American Bank Note Co.
ABN Pr	*American Bank Note Co., Pfd.
BOS	American Bosch Corp.
ABK	American Brake Shoe Co.
ABK Pr	Amer. Brake Shoe Co., 4% Cum. Pfd. Cv.
ACR	American Cable & Radio Corp.
AC	American Can Co.
AC Pr	*American Can Co., Pfd.
AF	American Car & Foundry Co.
AF Pr	American Car & Foundry Co., Pfd.
ACN	American Chain & Cable Co., Inc.
ACN Pr	*Amer. Chain & Cable Co., Inc., Cum. Pfd.
ACJ	American Chicle Co.
AOY	American Colortype Co. (The)
ABS	American Crystal Sugar Co.
ABS Pr	*American Crystal Sugar Co.,4 1/2% Pr.Pfd.
ACY	American Cyanamid Co.
ACY Pr	Amer. Cyanamid Co., Cum. Cv. Pfd., A.
ADC	American Distilling Co.
AEN	American Encaustic Tiling Co., Inc.
AMU	American European Securities Co.
AEX	American Export Lines, Inc.
FP	Amer. & Foreign Power Co., Inc.
FP Pr	Amer. & Foreign Power Co., Inc., $7 Pfd.

FP II Pr	Amer. & Foreign Pwr. Co., Inc., 2nd Pfd. A
FP VI Pr	Amer. & Foreign Power Co., Inc., $6 Pfd.
AHS	American-Hawaiian Steamship Co.
HI	American Hide & Leather Co.
HI Pr	American Hide & Leather Co., Cv. Pfd.
HPT	American Home Products Corp.
AIS	American Ice Co.
AIS Pr	Amer. Ice Co., Non-Cum. Non-Red. Pfd.
AMC	American International Corp.
AMT	American Investment Co. of Illinois
LA	American Locomotive Co.
LA Pr	American Locomotive Co., Pfd.
AMF	American Machine & Foundry Co.
AMF Pr	*Amer.Mach. & Fdry. Co., 3.90% Cum. Pfd.
AME	American Machine & Metals, Inc.
AMM	American Metal Co., Ltd.
AMM Pr	*American Metal Co., Ltd., Pfd.
MLC	American Molasses Co.
ANC	American News Co. (The)
AP	American Power & Light Co.
AP V Pr	American Power & Light Co., $5 Pfd.
AP VI Pr	American Power & Light Co., $6 Pfd.
DT	Am. Rad. & Stand. Sanitary Corp.
DT Pr	*Am. Rad. & Stand. Sanitary Corp., Pfd.
RM	American Rolling Mill Co.
RM Pr	*American Rolling Mill Co., Cv. Pfd.
ARZ	American Safety Razor Corp.
AMZ	American Seating Co.
ABG	*American Ship Building Co.
AR	American Smelting & Refining Co.
AR Pr	*American Smelting & Refining Co., Pfd.
SNU	American Snuff Co.
SNU Pr	*American Snuff Co., Pfd.
FJ	American Steel Foundries
ASC	American Stores Co.
ASV	American Stove Co.
ASR	American Sugar Refining Co.
ASR Pr	American Sugar Refining Co., Pfd.
AMS	American Sumatra Tobacco Corp.
T	American Tel. & Tel. Co.
AT	American Tobacco Co.
AT B	American Tobacco Co., Com. "B".
AT Pr	*American Tobacco Co., Pfd.
VIS	American Viscose Corp.
VIS Pr	*American Viscose Corp., Pfd.
AWK	American Water Works Co., Inc.
AW	American Water Works & Elec. Co., Inc.
WY	American Woolen Co.
WY Pr	American Woolen Co., 7% Cum. Pfd.
WY Prior	Amer. Woolen Co., $4 Cum. Cv. Pr. Pref.
ZA	American Zinc, Lead & Smelting Co.
ZA P Pr	Amer. Zinc, Lead & Smelt. Co., Pr. Pfd.
A	Anaconda Copper Mining Co.
AWC	*Anaconda Wire & Cable Co.
ARH	Anchor Hocking Glass Corp.
ARH Pr	*Anchor Hock. Glass Corp., $4 Cum. Pfd.
AYL	Anderson, Clayton & Co.
ANP	Anderson-Prichard Oil Corp.
ADE	Andes Copper Mining Co.
APW	A. P. W. Products Co., Inc.
ADD	Archer-Daniels-Midland Co.
AM	Armour & Co.
AM Pr	Armour & Co., $6 Cum. Cv. Pr. Pfd.
ACK	Armstrong Cork Co.
ACK Pr	*Armstrong Cork Co., $3.75 Cum. Pfd.
ACT	Arnold Constable Corp.
ARR	Artloom Corp.
DG	Associated Dry Goods Corp.
DG I Pr	*Associated Dry Goods Corp., 1st Pfd.
DG II Pr	*Associated Dry Goods Corp., 2nd Pfd.
ATS	Associates Investment Co.
SF	Atchison, Top. & Santa Fe Ry. Co.
SF Pr	Atchison, Top. & Santa Fe Ry. Co., Pfd.
ATF	A T F Inc.
AX	Atlantic Coast Line R. R. Co.
AGW	Atlantic, Gulf & W. Indies S. S. Lines
AGW Pr	Atlantic,Gulf & W.Indies S.S.Lines, Pfd.
AFI	Atlantic Refining Co.
AFI Pr A	*Atlantic Refining Co., 4% Cum. Cv. Pfd. A
AFI Pr B	*Atlantic Refining Co., 3.75% Cum. Pfd. B
AZ	Atlas Corporation
APC	*Atlas Powder Co.
APC Pr	*Atlas Powder Co., Cum. Cv. Pfd.
AKO	Atlas Tack Corp.
ANO	Austin, Nichols & Co., Inc.
ANO Pr	Austin, Nichols & Co., Inc., Cv. Prior Pref.
ACC	Autocar Co. (The)
AUM	Automatic Canteen Co. of America
AV	Avco Mfg. Corp.
AV Pr	Avco Mfg. Corp., Cum. Cv. Pfd.

B

BAB	Babbitt (B. T.), Inc.
B	Baldwin Locomotive Works (The)
BO	Baltimore & Ohio R. R. Co.
BO Pr	Baltimore & Ohio R. R. Co., Pfd.
BNK	Bangor & Aroostook R. R. Co.
BNK Pr	*Bangor & Aroostook R. R. Co., Cv. Pfd.
AS	Barber Asphalt Corp. (Delaware)
BKR	Barker Bros. Corp.
BKR Pr	*Barker Bros. Corp., 4 1/2% Cum. Pfd.
BDL	Barnsdall Oil Co.
BIW	Bath Iron Works Corp.
BYK	Bayuk Cigars Inc.
BRY	Beatrice Foods Co.
BRY Pr	*Beatrice Foods Co., 3 3/8% Cum. Cv. Pfd.
BEM	Beaunit Mills, Inc.
BEK Pr	*Beck (A.S.) Shoe Corp., 4 3/4% Cum. Pfd.
BCX	Beech Aircraft Corp.
BCH	*Beech Creek R. R. Co., Gtd.
BNU	Beech-Nut Packing Co.
BHY	Belding-Heminway Co., Inc. (Del.)
BLL	Bell Aircraft Corp.
BHW	Bell & Howell Co.
BHW Pr	*Bell & Howell Co., Pfd.
BX	Bendix Aviation Corp.
BHA	Bendix Home Appliances, Inc.
BNL	Beneficial Industrial Loan Corp.
BNL Pr	Beneficial Indus.Loan Corp., Pfd. $3.25 Div.
BST	Best & Co., Inc.
BEF	Best Foods, Inc. (The)
BS	Bethlehem Steel Corp. (Delaware)
BS Pr	Bethlehem Steel Corp. (Del.), 7% Pfd.
BGS	Bigelow-Sanford Carpet Co., Inc.
BME	Birmingham Electric Co.
BDK	Black & Decker Mfg. Co. (The)
BK	Blaw-Knox Co.
BLI	Bliss & Laughlin, Inc.
EWB	Bliss (E. W.) Co.
BBL	*Bloomingdale Bros., Inc.
BA	Boeing Airplane Co.
BHL	Bohn Aluminum & Brass Corp.
BM	*Bon Ami Co. (The), Common A
BM B	*Bon Ami Co. (The), Common B
BND	Bond Stores, Inc.

BN	Borden Co. (The)
BOR	Borg-Warner Corp.
BOR Pr	Borg-Warner Corp., 3 1/2% Cum. Pfd.
BMR	Boston & Maine Railroad (Assented)
BRB	Bower Roller Bearing Co.
BNF	Braniff Airways, Inc.
BRC	Brewing Corp. of America
BR	Bridgeport Brass Co.
BG	Briggs Manufacturing Co.
BGG	Briggs & Stratton Corp.
BMY	Bristol-Myers Co.
BMY Pr	*Bristol-Myers Co., 3 3/4% Cum. Pfd.
BU	Brooklyn Union Gas Co.
BWS	Brown Shoe Co., Inc.
BWS Pr	*Brown Shoe Co., Inc., $3.60 Cum. Pfd.
BCC	Brunswick-Balke-Collender Co.
BY	Bucyrus-Erie Co.
BY Pr	*Bucyrus-Erie Co., Pfd.
BF	Budd Co. (The)
BF Pr	*Budd Co. (The), $5 Pfd.
BFC	Buffalo Forge Co.
BUF Pr	Buffalo Niagara Elec.Corp., 3.60% Pfd.
BLD	Bullard Co. (The)
BVA	Bulova Watch Co., Inc.
BUR	Burlington Mills Corp.
BUR Pr	*Burlington Mills Corp., 4% Pfd.
BUR 3 1/2 Pr	*Burlington Mills Corp. 3 1/2% Pfd.
BUR Cv Pr	Burlington Mills Corp., 3 1/2% Cv.2nd Pfd.
BGH	Burroughs Adding Machine Co.
BHB Pr	*Bush Terminal Buildings Co., Pfd.
BSH	Bush Terminal Co.
BTL	Butler Brothers
BTL Pr	*Butler Brothers, 4 1/2% Cum. Pfd.
BC	Butte Copper & Zinc Co.
ABY	Byers (A. M.) Co.
ABY Pr	*Byers (A. M.) Co., Pfd.

C

CFF	California Packing Corp.
CFF Pr	*California Packing Corp., Pfd.
ZM	Callahan Zinc-Lead Co.
HC	Calumet & Hecla Consol. Copper Co.
CWT	Campbell, Wyant & Cannon Foundry Co.
CD	Canada Dry Ginger Ale, Inc.
CD Pr	*Canada Dry Ginger Ale, Inc., $4.25 Pfd.
CNS	*Canada Southern Railway Co.
CNB	Canadian Breweries, Ltd.
CP	Canadian Pacific Railway Co.
CAM	Cannon Mills Co.
CAD	Capital Administration Co., Ltd., Class A
CAD Pr	*Capital Administration Co., Ltd., Pfd. A
CCL	*Carolina, Clinchfield & Ohio Ry.
CPL	Carolina Power & Light Co.
CRS	Carpenter Steel Co. (The)
CRR	Carrier Corporation
CRR Pr	Carrier Corporation, Cum. Pfd., 4% Ser.
ICL	Carriers & General Corp.
JI	Case (J.I.) Co.
JI Pr	*Case (J.I.) Co., Pfd.
CTR	Caterpillar Tractor Co.
CZ	Celanese Corp. of America
CZ Pr	Celanese Corp. of Am., 1st Pfd., $4.75 Ser.
CZ VII Pr	*Celanese Corp. of America, 7% 2nd Pfd.
CLO	Celotex Corp. (The)
CLO Pr	Celotex Corp. (The), Pfd.
CEG	Central Aguirre Sugar Co.
FD	Central Foundry Co. (The)
CNH	Central Hudson Gas & Electric Corp.
CER Pr	*Central Illinois Light Co., Pfd.
CNW Pr	Cent. N. Y. Pwr. Corp., Pfd., 3.40% Ser.
QNJC	Central R. R. of New Jersey
CVS	Central Violeta Sugar Co., S. A.
CTY	Century Ribbon Mills, Inc.
DP	Cerro de Pasco Copper Corp.
CRT	Certain-teed Products Corp.
CHB	Chain Belt Co.
CMP	Champion Paper & Fibre Co. (The)
CMP Pr	*Champion Paper & Fibre Co. (The), Pfd.
CHC	Checker Cab Manufacturing Corp.
CHV	Chesapeake Corp. of Virginia (The)
CO	Chesapeake & Ohio Railway Co.
CO Pr	Chesapeake & Ohio Ry. Co., 3 1/2% Cv. Pfd.
CHI	Chicago Corp. (The)
CGE	Chicago & Eastern Ill. R. R. Co.
CGE A	Chicago & Eastern Ill. R. R. Co., Class A
CGW	Chicago Great Western Ry. Co.
CGW Pr	Chicago Great Western Ry. Co., 5% Pfd.
CIL A	Chic., Ind. & Louisv. Ry. Co., Stk. Tr. Ctfs. for Class A Com.
CIL B	Chic., Ind. & Louisv. Ry. Co., Stk. Tr. Ctfs. for Class B Com.
ST	Chic., Milw., St. P. & P. R. R., Com., v.t.c.
ST Pr	Chic., Milw., St. P. & P. R. R., Pfd.A, v.t.c.
NW	Chicago & North West. Ry. Co.
NW Pr	Chic. & Nor.West.Ry.Co., 5% Pfd., Ser. A.
CGG	Chicago Pneumatic Tool Co.
CGG Pr	Chicago Pneumatic Tool Co., Cv. Pref.
TXY	Chicago Yellow Cab Co., Inc.
CIK	Chickasha Cotton Oil Co.
QCDI	Childs Co.
CHL	*Chile Copper Co.
C	Chrysler Corp.
CIN	Cincinnati Gas & Electric Co. (The)
CIN Pr	Cinc.Gas & Elec.Co. (The), 4% Cum. Pfd.
CMZ	Cincinnati Milling Machine Co. (The)
CIT	C. I. T. Financial Corp.
CY	City Ice & Fuel Co.
CNV	City Investing Co.
CNV Pr	*City Investing Co., 5 1/2% Cum. Pfd.
CSS	City Stores Co.
CKL	Clark Equipment Co.
CCS	*Cleve.,Cin.,Chic. & St. L. Ry. Co.
CCS Pr	*Cleve.,Cin.,Chic. & St. L. Ry. Co., Pfd.
CVX	Cleveland Electric Illum. Co. (The)
CVX Pr	*Cleveland Electric Illum. Co. (The), Pfd.
CGH	Cleveland Graphite Bronze Co. (The)
CGH Pr	*Cleveland Graphite Bronze Co. (The), Pfd.
PTT	*Cleveland & Pittsburgh R. R. Co., Gtd.
PTT Spl	*Cleve. & Pitts. R.R.Co., Spl. Gtd. Pfd.
CXM	Climax Molybdenum Co.
CNI	Clinton Industries, Inc.
CPY	Clopay Corporation
CLU	Cluett, Peabody & Co., Inc.
CLU Pr	*Cluett, Peabody & Co., Inc., 7% Cum. Pfd.
CLU IV Pr	Cluett, Peabody & Co., Inc.,4% Cum.2d Pfd.
KO	Coca-Cola Co.
KO A	*Coca-Cola Co., Class A
KOC	*Coca-Cola International Corp.
CL	Colgate-Palmolive-Peet Co.
CL Pr	Colgate-Palmolive-Peet Co., $3.50 Pfd.
CK	Collins & Aikman Corp.
COL	Colonial Mills, Inc.
CF	Colorado Fuel & Iron Corp. (The)
CF Pr	Colorado Fuel & Iron Corp.(The), 5% Pfd.
CX	*Colorado & Southern Railway Co.

CX I Pr	*Colorado & Southern Ry. Co., 1st Pfd.
CX II Pr	*Colorado & Southern Ry. Co., 2nd Pfd.
CBS A	Columbia Broadcasting System, Inc., Cl. A
CBS B	Columbia Broadcasting System, Inc., Cl. B
CG	Columbia Gas & Electric Corp.
CPS	Columbia Pictures Corp.
CPS Pr ww	Columbia Pictures Corp., $4.25 Pfd., w.w.
CBN	Columbian Carbon Co.
COC	Columbus & Southern Ohio Electric Co.
CC	Commercial Credit Co.
CC Pr	*Commercial Credit Co., 3.60% Cum. Pfd.
CV	Commercial Solvents Corp.
CWE	Commonwealth Edison Co.
CW	Commonwealth & Southern Corp.
CW Pr	Commonwealth & Southern Corp., Pfd.
COG	Congoleum-Nairn, Inc.
CA	Consolidated Cigar Corp.
CCP	Consolidated Coppermines Corp.
ED	Consolidated Edison Co. of N. Y., Inc.
ED Pr	Consol. Edison Co. of N. Y., Inc., Pfd.
CGR	Consolidated Grocers Corp.
LAU	Consolidated Laundries Corp.
CNG	Consolidated Natural Gas Co.
CCU Pr	Consolidated Railroads of Cuba, Pfd.
CNL	Consolidated Retail Stores, Inc.
F	Consolidated Vultee Aircraft Corp.
CMS	Consumers Power Co.
CMS Pr	*Consumers Power Co., $4.50 Pfd.
CNR	Container Corp. of America
CNR Pr	*Container Corp. of Amer., 4% Cum. Pfd.
CI	Continental Baking Co.
CI Pr	Continental Baking Co., $5.50 Cum. Pfd.
CH	Continental Can Co., Inc.
CH Pr	Continental Can Co., Inc., $3.75 Cum. Pfd.
CDH	Continental-Diamond Fibre Co.
CIS	Continental Insurance Co.
CMR	Continental Motors Corp.
CLL	Continental Oil Co. (of Delaware)
CTL	Continental Steel Corp.
CBE	Cooper-Bessemer Corp. (The)
CBE Pr	*Cooper-Bessemer Corp. (The), $3 Pr. Pref.
COS	Copperweld Steel Co.
COS Pr	*Copperweld Steel Co., Cum.Cv. 5% Pfd.
CEX	*Corn Exchange Bank Trust Co.
CFG	Corn Products Refining Co.
CFG Pr	*Corn Products Refining Co., Pfd.
CDR	Cornell-Dubilier Electric Corp.
GLW	Corning Glass Works
GLW Pr	*Corning Glass Works, 3 1/2% Pfd.
GLW Pr-N	*Corning Glass Works, 3 1/2% Pfd.,Ser.1947
COT	Coty, Inc.
CYI	Coty International Corp.
CR	Crane Co.
CR Pr	Crane Co., 3 3/4% Cum. Pfd.
CWH	Cream of Wheat Corp.
CMA	Creameries of America, Inc.
CCK	Crown Cork & Seal Co., Inc.
CCK Pr	Crown Cork & Seal Co., Inc., $2 Cum. Pfd.
ZB	Crown Zellerbach Corp.
ZB Pr	*Crown Zellerbach Corp., $4.20 Cum. Pfd.
ZB IV Pr	*Crown Zellerbach Corp., $4 Cum. 2nd Pfd.
XA	Crucible Steel Co. of America
XA Pr	Crucible Steel Co. of America, Pfd.
CDR Pr	*Cuba Railroad Co., Pfd.
CSU	Cuban-American Sugar Co.
CSU Pr	*Cuban-American Sugar Co., 7% Cum. Pfd.
CUD	Cudahy Packing Co. (The)
CUD Pr	Cudahy Packing Co. (The),4 1/2% Cum. Pfd.
CUN	Cuneo Press, Inc. (The)
CDD	Cunningham Drug Stores, Inc.
CPC	Curtis Publishing Co. (The)
CPC Pr	*Curtis Publishing Co. (The), $7 Cum. Pfd.
CPC P Pr	Curtis Publishing Co. (The), Prior Pfd.
CS	Curtiss-Wright Corp.
CS A	Curtiss-Wright Corp., Class A
CHS Pr	*Cushman's Sons, Inc., 7% Cum. Pfd.
CEH	Cutler-Hammer, Inc.

D

DCN	Dana Corporation
DCN Pr	*Dana Corp., Cum. Pref., 3 3/4% Series "A"
DVG	Davega Stores Corp.
DVG Pr	Davega Stores Corp., 5% Pfd., Conv.
DAS	Davison Chemical Corp. (The)
DPL	Dayton Power & Light Co. (The)
DPL Pr A	*Dayton Power & Light Co. (The), Pfd. A
DPL Pr B	*Dayton Power & Light Co. (The), Pfd. B
DAY	Dayton Rubber Co. (The)
DKA	Decca Records, Inc.
DRO	Deep Rock Oil Corp.
DE	Deere & Co.
DE Pr	Deere & Co., Pfd.
DH	Delaware & Hudson Co.
DL	Delaware, Lack. & Western R. R. Co.
DGR Ct	Denver & Rio Grande Western R. R. Com., Escrow Ctfs.
DGR Pr Ct	Denver & Rio Grande Western R. R., Pfd., Escrow Ctfs.
DTE	Detroit Edison Co.
DHS	*Detroit, Hillsdale & Southw. R. R. Co.
DTV	Detroit-Michigan Stove Co.
DES	Detroit Steel Corp.
DEV	De Vilbiss Co. (The)
DRS	Devoe & Raynolds Co., Inc., Class A
DN	Diamond Match Co.
DN Pr	Diamond Match Co., Partic. Pfd.
DTM	Diamond T Motor Car Co.
DCS	Distillers Corp.-Seagrams Ltd.
DCO	Divco Corporation
DV	Dixie Cup Co.
DV A	*Dixie Cup Co., Class A
DJC	Doehler-Jarvis Corp.
DM	Dome Mines, Limited
D	Douglas Aircraft Co., Inc.
DOW	Dow Chemical Co. (The)
DOW Pr	Dow Chemical Co. (The), Cum. Pfd. Ser. A
DOW II Pr	Dow Chem. Co. (The), 2nd Pfd., $3.25 Div.
DMY	Dresser Industries, Inc.
DMY Pr	Dresser Industries, Inc., Pfd., 3 3/4% Ser.
DHI	Dunhill International, Inc.
DUP	Duplan Corp. (The)
DD	duPont de Nemours (E.I.) & Co.
DD 3 1/2 Pr	duPont de Nemours (E.I.) & Co., $3.50 Pfd.
DD 4 1/2 Pr	duPont de Nemours (E.I.) & Co., $4.50 Pfd.
DQU Pr	*Duquesne Light Co., 1st Pfd.
DWG	D W G Cigar Corp.

E

EGP	Eagle-Picher Co. (The)
EAL	Eastern Air Lines, Inc.
ER	Eastern Stainless Steel Corp.
EK	Eastman Kodak Co.
EK Pr	*Eastman Kodak Co., Pfd.
ENX	Eaton Manufacturing Co.
EOS	Edison Brothers Stores, Inc.

EOS Pr	*Edison Bros.Stores,Inc., 4 1/4% Cum. Pfd.
EPO	Ekco Products Co.
EPO Pr	*Ekco Products Co., 4 1/2% Cum. Pfd.
ELG	El Paso Natural Gas Co.
ESN	Elastic Stop Nut Corp. of America
ET	Electric Auto-Lite Co. (The)
EB	Electric Boat Co.
EB Pr	Electric Boat Co., Cum. Cv. Pfd.
EMI	Electric & Musical Industries, Ltd.
EL	Electric Power & Light Corp.
EL VI Pr	Electric Power & Light Corp., $6 Pfd.
EL Pr	Electric Power & Light Corp., $7 Pfd.
ESB	Electric Storage Battery Co.
ENW	Elgin National Watch Co. .
EMR	Emerson Electric Mfg. Co. (The)
ERP	Emerson Radio & Phonograoh Corp.
EDE	Empire District Electric Co. (The)
EJN	Endicott Johnson Corp.
EJN Pr	*Endicott-Johnson Corp., Cum.Pfd.,4% Ser.
EQ	Equitable Office Building Corp.
EPR	*Erie & Pittsburgh R. R. Co.
E	Erie R. R. Co.
E Pr	Erie R. R. Co., 5% Pfd., Ser. A.
EUK	Eureka Williams Corp.
EVY	Evans Products Co.
EVR	Eversharp, Inc.
XL	Ex-Cell-O Corp.
EBC	Exchange Buffet Corp.

F

TFR	Fair (The)
FKM	Fairbanks, Morse & Co.
FAJ	Fajardo Sugar Co. of Porto Rico
FAR	Farnsworth Television & Radio Corp.
FJQ	Fedders-Quigan Corp.
FMS	Federal Mining & Smelting Co.
FMO	Federal-Mogul Corp.
FMT	Federal Motor Truck Co.
FDS	Federated Department Stores, Inc.
FDS Pr	*Federated Dept. Stores, Inc., 4 1/4% Pfd.
FEL	Felt & Tarrant Manufacturing Co.
FOE	Ferro Enamel Corp.
FPX	Fidelity-Phenix Fire Insur. Co. of N. Y.
MF	Field (Marshall) & Co.
MF Pr	*Field (Marshall) & Co., 4 1/4% Cum. Pfd.
FIR	Firestone Tire & Rubber Co.
FIR Pr	Firestone Tire & Rub.Co., 4 1/2% Cum. Pfd.
FST	First National Stores, Inc.
FTH	Firth Carpet Co.
FO	Flintkote Co. (The)
FO Pr	*Flintkote Co. (The), $4 Cum. Pfd.
FLS	Florence Stove Co.
FDP	Florida Power Corp.
FLO	Florsheim Shoe Co. (The), Class A
FBE	Follansbee Steep Corp.
FFS	Food Fair Stores, Inc.
FDM	Food Machinery Corp.
FDM Pr	*Food Mach'y Corp., 3.25% Cum. Cv. Pfd.
FWC	Foster Wheeler Corp.
FWC Pr	*Foster Wheeler Corp., Pr. Pfd.
FRA	Francisco Sugar Co. (The)
FT	Freeport Sulphur Co.
FED	Froedtert Grain & Malting Co., Inc.
FTR	Fruehauf Trailer Co.
FTR Pr	*Fruehauf Trailer Co., 4% Cum. Pfd.

G

GRR	Gabriel Co. (The)
GAI	Gair (Robert) Co., Inc.
GAI Pr	Gair (Robert) Co., Inc., Pfd.
GAC	Gamewell Co. (The)
GDC	Gardner-Denver Co.
GLC	Gaylord Container Corp.
GAM	General American Investors Co., Inc.
GAM Pr	General American Investors Co., Inc., Pfd.
GMT	General American Transportation Corp.
GMT Pr	Gen.Am.Transp.Corp.,$4.25 Pfd. A, Cum.
GBG	General Banking Co.
GBG Pr	*General Baking Co., Pfd.
GLZ	General Bronze Corp.
GK	General Cable Corp.
GK I Pr	*General Cable Corp., 4% Cum. 1st Pfd.
GK II Pr	General Cable Corp., 4% Cv. 2nd Pfd.
GCR	General Cigar Co., Inc.
GCR Pr	*General Cigar Co., Inc., Pfd.
GE	General Electric Co.
GF	General Foods Corp.
GF Pr	General Foods Corp., $3.50 Cum. Pfd.
GRL	General Instrument Corp.
GIS	General Mills, Inc.
GIS Pr	*General Mills, Inc., 5% Cum. Pfd.
GIS 3 3/8 Pr	General Mills, Inc.,3 3/8% Cum. Cv. Pfd.
GM	General Motors Corp.
GM V Pr	General Motors Corp., $5 Pfd.
GM 3 3/4 Pr	General Motors Corp., Pfd., $3.75 Series
GOU	General Outdoor Advertising Co., Inc.
GPT	General Portland Cement Co.
GTE	General Precision Equipment Corp.
GPV	General Public Service Corp.
GUY	General Public Utilities Corp.
GRS	General Railway Signal Co.
GRS Pr	*General Railway Signal Co., Pfd.
GU	General Realty & Utilities Corp.
GRX	General Refractories Co.
GSH	General Shoe Corp.
SC Pr	*General Steel Castings Corp., Cum. Pfd.
GEN	General Telephone Corp.
GLI	General Time Instruments Corp.
GLI Pr	*Gen.Time Instruments Corp., 4 1/4% Pfd.
GY	General Tire & Rubber Co. (The)
GY Pr	*Gen.Tire & Rub.Co.(The),4 1/4% Cum. Pfd.
GY 3 3/4 Pr	*Gen.Tire & Rub.Co.(The),3 3/4% Cum. Pfd.
GS	Gillette Safety Razor Co.
GS Pr	Gillette Safety Razor Co., Cv. Pref.
GI	Gimbel Bros., Inc.
GI Pr	Gimbel Bros., Inc., $4.50 Pfd.
GLN	Glidden Co. (The)
GLN Pr	Glidden Co. (The), Cv. Pfd.
GBL	Goebel Brewing Co.
GSX	*Gold & Stock Telegraph Co.
GSD	Goodall-Sanford, Inc.
GR	Goodrich (B. F.) Co.
GR Pr	Goodrich (B. R.) Co., Pfd.
GT	Goodyear Tire & Rubber Co.
GT Pr	Goodyear Tire & Rubb. Co., $5 Cum. Pfd.
GHM	Gotham Hosiery Co., Inc.
GP	Graham-Paige Motors Corp.
GB	Granby Cons. Min.,Smelt. & Pwr. Co., Ltd.
GUX	Grand Union Co. (The)
GRC	Granite City Steel Co.
GTY	Grant (W. T.) Co.
GTY Pr	*Grant (W. T.) Co., Pfd.
GRB	Grayson-Robinson Stores, Inc.

GRB Pr	Grayson-Robinson Stores, Inc., $2.25 Pfd.
GNI	Great Northern Iron Ore Prop. Tr. Ctfs.
GN Pr	Great Northern Railway Co., Pfd.
GSW	Great Western Sugar Co.
GSW Pr	*Great Western Sugar Co., Pfd.
GBW	*Great Bay & Western R. R. Co.
GRN	Green (H. L.) Co., Inc.
GFT	Greenfield Tap & Die Corp.
G	Greyhound Corp. (The)
G Pr	*Greyhound Corp. (The), Pfd.
GQ	Grumman Aircraft Engineering Corp.
GTS	Guantanamo Sugar Co.
GTS Pr	*Guantanamo Sugar Co., $5 Cum. Pfd.
GFO	Gulf, Mobile & Ohio R. R. Co.
GFO Pr	Gulf, Mobile & Ohio R. R. Co., Pfd.
GO	Gulf Oil Corp.
GTU	Gulf States Utilities Co.

H

HWA	Hackensack Water Co.
HPG	Hall (W. F.) Printing Co.
HMW	Hamilton Watch Co.
HMW Pr	*Hamilton Watch Co., Pfd.
HNA Pr	*Hanna (M. A.) Co., $4.25 Cum. Pfd.
HKM	Harbison-Walker Refractories Co.
HKM Pr	*Harbison-Walker Refractories Co., Pfd.
HSM	Hart, Schaffner & Marx
HAT A	Hat Corp. of America, Class A
HAT Pr	*Hat Corp. of America, 4 1/2% Cum. Pfd.
HAY	Hayes Industries, Inc.
HYB	Hayes Manufacturing Corp.
HZT	Hazel-Atlas Glass Co.
HCH	Hecht Company (The)
HCH Pr	*Hecht Company (The), 3 3/4% Cum. Pfd.
HNZ	Heinz (H. J.) Co.
HNZ Pr	*Heinz (H. J.) Co., 3.65% Cum. Pfd.
GHH	Helme (George W.) Co.
GHH Pr	*Helme (George W.) Co., Pfd.
HMO	Hercules Motors Corp.
HPC	Hercules Powder Co.
HPC Pr	*Hercules Powder Co., Pfd.
HSY	Hershey Chocolate Corp.
HSY Pr	*Hershey Chocolate Corp., Cv. Pref.
HEW	Hewitt-Robins, Inc.
HLT	Hilton Hotels Corp.
HDP	Hinde & Dauch Paper Co. (The)
HRS	Hires (Charles E.) Co. (The)
HLN	Holland Furnace Co.
HLL	Hollander (A.) & Son, Inc.
HLY	Holly Sugar Corp.
HM	Homestake Mining Co.
HKR	Hooker Electrochemical Co.
HH	Houdaille-Hershey Corp.
HH Pr	Houdaille-Hershey Corp., $2.25 Cv. Pfd.
HOF	Household Finance Corp.
HOF Pr	*Household Finance Corp., Pfd.
HOU	Houston Lighting & Power Co.
HO	Houston Oil Co. of Texas, Vot. Tr. Ctfs.
HOS	Howard Stores Corp.
HW	Howe Sound Co.
HD	Hudson Bay Mining & Smelting Co., Ltd.
HXR	Hudson & Manhattan R. R. Co.
HXR Pr	Hudson & Manhattan R. R. Co., Pfd.
HT	Hudson Motor Car Co.
HFD	Hunt Foods, Inc.
H	Hupp Corporation

I

IDA	Idaho Power Co.
IL	Illinois Central R. R. Co.
IL Pr	Illinois Central R. R. Co., Pfd. A.
IL LL	*Illinois Central R. R. Co., Leased Line 4%
ILT	Illinois Terminal R. R. Co.
IPL	Indianapolis Power & Light Co.
MXO	Industria Electrica de Mexico, S. A.
ILR	Industrial Rayon Corp.
IR	Ingersoll-Rand Co.
IR Pr	*Ingersoll-Rand Co., Pfd.
IAD	Inland Steel Co.
IC	Inspiration Consolidated Copper Co.
ISH	Insuranshares Certificates, Inc.
IKN	Interchemical Corp.
IKN Pr	*Interchemical Corp., Pfd.
IRU	Intercontinental Rubber Co.
IK	Interlake Iron Corp.
IBM	International Business Machines Corp.
HR	International Harvester Co.
HR Pr	*International Harvester Co., Pfd.
IH	International Hydro-Elec.System, Class A.
IGL	International Minerals & Chem. Corp.
IGL Pr	Internat. Minerals & Chem. Corp., Pfd.
IMG	International Mining Corp.
N	International Nickel Co. of Canada, Ltd.
N Pr	*Int'l Nickel Co. of Canada, Ltd., Pfd.
IP	International Paper Co.
IP Pr	International Paper Co., $4 Cum. Pfd.
IRC	International Rys. of Central America
IRC Pr	*International Rys. of Cent. America, Pfd.
ILS	International Salt Co.
ISS	International Shoe Co.
INR	International Silver Co. (The) (Conn.)
INR Pr	Internat'l Silver Co. (The) (Conn.), Pfd.
IT	Int'l Tel. & Tel. Corp., Domestic Sh. Ctfs.
IT F	Int'l Tel. & Tel. Corp., Foreign Sh. Ctfs.
ISD	Interstate Department Stores, Inc.
IRY	Intertype Corp.
ICR	Island Creek Coal Co.
ICR Pr	*Island Creek Coal Co., Pfd.

J

BJC	Jackson (Byron) Co.
FLJ	Jacobs (F. L.) Co.
JAE	Jaeger Machine Co. (The)
JYP Pr	*Jersey Cent.Pwr. & Lt.Co., Pfd.,4% Ser.
JWT	Jewel Tea Co., Inc.
JWT Pr	*Jewel Tea Co., Inc., 3 3/4% Cum. Pfd.
JM	Johns-Manville Corp.
JM Pr	Johns-Manville Corp., 3 1/2% Cum. Pfd.
JNJ	Johnson & Johnson
JNJ Pr	*Johnson & Johnson, 4% 2nd Pfd. A.
JLO	*Joliet & Chicago R.R.Co., Gtd., Stamped
JL	Jones & Laughlin Steel Corp.
JL Pr	Jones & Laughlin Steel Corp., Pfd., Ser. A
JOY	Joy Manufacturing Co.

K

KAL	Kalamazoo Stove & Furnace Co.
KLT Pr	*Kansas City Pwr. & Lt.Co., 3.80% Pfd.
KSU	Kansas City Southern Railway Co.
KSU Pr	Kansas City Southern Railway Co., Pfd.
JKS	Kayser (Julius) & Co.
SKG	Kellogg (Spencer) & Sons, Inc.
KW A	Kelsey-Hayes Wheel Co., Class A.

KW B	Kelsey-Hayes Wheel Co., Class B.
KN	Kennecott Copper Corp.
KES	Keystone Steel & Wire Co.
KMB	Kimberly-Clark Corp.
KMB IV Pr	*Kimberly-Clark Corp., 4% Cum. 2nd Pfd.
KNX	Kinney (G. R.) Co., Inc.
KNX Pr	*Kinney (G. R.) Co., Inc., $5 Prior Pfd.
KOP	Koppers Co., Inc.
KOP Pr	*Koppers Co., Inc., Cum. Pfd., 4% Ser.
KG	Kresge (S. S.) Co.
KSC	Kress (S. H.) & Co.
KR	Kroger Co. (The)

L

LCD Pr	La Consolidada, S. A., Amer. Pfd. Shares.
LG	Laclede Gas Light Co. (The)
LAM	Lambert Co. (The)
LNY	Lane Bryant, Inc.
LNY Pr	*Lane Bryant, Inc., 4 1/2% Cum. Pfd.
LR	Lee Rubber & Tire Corp.
LES	Lees (James) and Sons Co.
LES Pr	*Lees (James) and Sons Co., 3.85% Pfd.
LCN	Lehigh Coal & Navigation Co.
LPT	Lehigh Portland Cement Co.
LEH	Lehigh Valley Coal Corp.
LEH Pr	Lehigh Valley Coal Corp., Non-Cum. Pfd.
LEH I Pr	Lehigh Valley Coal Corp., $3 1st Pfd.
LFH II Pr	Lehigh Valley Coal Corp., 50¢ 2nd Pfd.
LV	Lehigh Valley R. R. Co.
LEM	Lehman Corporation (The)
LNP	Lehn & Fink Products Corp.
LER	Lerner Stores Corp.
LOF	Libbey-Owens-Ford Glass Co.
LJ	Libby, McNeill & Libby
LSV	Life Savers Corp.
LM	Liggett & Myers Tobacco Co.
LM Pr	*Liggett & Myers Tobacco Co., Pfd.
LIL	Lily-Tulip Cup Corp.
LMW	Lima-Hamilton Corp.
LKB	Link-Belt Co.
LNO	Lion Oil Co.
LQT	Liquid Carbonic Corp. (The)
LQT Pr	Liquid Carbonic Corp. (The), 3 1/2% Pfd.
LK	Lockheed Aircraft Corp.
LW	Loew's Inc.
LCE	Lone Star Cement Corp.
LQ	Long-Bell Lumber Corp. (The), Class A.
LL	Lorillard (P.) Co.
LL Pr	*Lorillard (P.) Co., Pfd.
LOU	Louisville Gas & Electric Co., Class A
LN	Louisville & Nashville R. R. Co.
LST	Lowenstein (M.) & Sons, Inc.
LST Pr	*Lowenstein (M.) & Sons, Inc., 4 1/4% Pfd.A.
LUC	Lukens Steel Co.

M

MAF	MacAndrews & Forbes Co.
MAF Pr	*MacAndrews & Forbes Co., Pfd.
MQ	Mack Trucks, Inc.
MZ	Macy (R. H.) & Co., Inc.
MZ Pr	Macy (R. H.) & Co., Inc., Cum. Pfd., A.
MAQ	Madison Square Garden Corp.
MMX	Magma Copper Co.
MAG	Magnavox Co. (The)
MAH	*Mahoning Coal Railroad Co.
MNU	Manati Sugar Co.
MBS	Mandel Brothers, Inc.
MSH	Manhattan Shirt Co.
MAB	Maracaibo Oil Exploration Corp.
MRA	Marathon Corp.
MM	Marine Midland Corp.
MRR P Pr	*Market Street Ry. Co., Prior Pref.
ML	Martin (Glenn L.) Co.
MRT	Martin-Parry Corp.
MNC	Masonite Corp.
MAE	Master Electric Co.
AKL	Mathieson Alkali Works (The)
AKL Pr	*Mathieson Alkali Works (The), Pfd.
MA	May Department Stores Co.
MA Pr	*May Dept.Stores Co., $3.75 Cum. Pfd.
MA Pr-N	*May Dept.Stores Co.,$3.75 Pfd.,1947 Ser.
MA 3.40Pr	*May Dept.Stores Co., $3.40 Cum. Pfd.
MYG	Maytag Co. (The)
MYG Pr	Maytag Co. (The), $3 Cum. Pref.
MYG I Pr	*Maytag Co. (The), $6 Cum. 1st Pfd.
MCA	McCall Corp.
MS	McCrory Stores Corp.
MS Pr	*McCrory Stores Corp., 3 1/2% Cum.Cv.Pfd.
MGR	McGraw Electric Co.
MCG	McGraw-Hill Publishing Co., Inc.
MP	McIntyre Porcupine Mines, Ltd.
MCK	McKesson & Robbins, Inc.
MCK Pr	McKesson & Robbins, Inc., $4 Cum. Pfd.
MLL	McLellan Stores Co.
MFG	McQuay-Norris Mfg. Co.
MFA	Mead Corp. (The)
MEA Pr	*Mead Corp.(The), 4 1/4% Cum. Pfd.
MEA II Pr	Mead Corp. (The), 4% Cum. 2nd Pfd.
MES	Melville Shoe Corp.
MC	Mengel Co. (The)
MC Pr	*Mengel Co. (The), Cv. 1st Pfd.
MST	Mercantile Stores Co., Inc.
MMT	Merchants & Miners Transportation Co.
MRK	Merck & Co., Inc.
MRK Pr	Merck & Co., Inc., $3.50 Cum. Pfd.
MCS	Merritt-Chapman & Scott Corp.
MCC	Mesta Machine Co.
MTT Pr	*Metrop'n Ed. Co., Cum. Pfd., 3.90% Ser.
MI	Miami Copper Co.
MPZ	Mid-Continent Petroleum Corp.
MPO	Midland Steel Products Co.
MPO Pr	*Midland Steel Products Co., 1st Pfd.
MHW	Minn.-Honeywell Regulator Co.
MHW Pr	*Minn.Honeywell Regulator Co., Pref. A.
MPW	Minn.-Moline Power Implement Co.
MPW Pr	*Minn.-Moline Pwr. Impl. Co., Cum. Pfd.
MSL	Minneapolis & St. Louis Ry. Co. (The)
MSM	Minn., St. Paul & S. S. Marie R. R. Co.
MTM	Minnesota Mining & Mfg. Co.
MTM Pr	*Minnesota Min. & Mfg. Co., $4 Cum. Pfd.
MSS	Mission Corp.
KT	Missouri-Kansas-Texas R. R. Co.
KT Pr	Missouri-Kansas-Texas R. R. Co., Pfd. A.
MOK	Mohawk Carpet Mills, Inc.
MJV	Mojud Hosiery Co., Inc.
MMO	Monarch Machine Tool Co.
MTC	Monsanto Chemical Co.
MTC Pr	Monsanto Chemical Co., Pref., Ser. A.
M	Montgomery Ward & Co., Inc.
MCL	Moore-McCormack Lines, Inc.
MOL	Morrell (John) & Co.
MO	Morris (Philip) & Co., Ltd., Inc.
MO IV Pr	Morris (Philip) & Co., Ltd., Inc., Cum. Pfd., 4% Ser.

MO Pr	*Morris (Philip) & Co., Ltd., Inc., Cum. Pfd., 3.60% Ser.
MPS	Motor Products Corp.
MRW	Motor Wheel Corp.
MOT	Motorola, Inc.
MUB	Mueller Brass Co.
MNS	Mullins Mfg. Corp., Class B.
MNS Pr	*Mullins Mfg. Corp., $7 Pfd.
MUN	Munsingwear, Inc.
MPH	Murphy (G. C.) Co.
MPH Pr	*Murphy (G. C.) Co., Pfd.
MUY	Murray Corporation of America.
MUY Pr	Murray Corporation of America, Pfd.
MBC	Myers, (F. E.) & Bro. Co. (The)

N

NK	Nash-Kelvinator Corp.
CHA	*Nashville, Chattanooga & St. L. Ry. Co.
NAS	Nast (Conde) Publications, Inc. (The)
NCM	National Acme Co.
NAL	National Airlines, Inc.
NAF	National Automotive Fibres, Inc.
NTA	National Aviation Corp.
NBX	National Battery Co.
BI	National Biscuit Co.
BI Pr	National Biscuit Co., Pfd.
NBS	National Bond & Share Corp.
NAC	National Can Corp.
NC	National Cash Register Co.
NTL	National City Lines, Inc.
NCO	National Container Corp.
NCY	National Cylinder Gas Co.
ND	National Dairy Products Corp.
NX	National Department Stores Corp.
DR	National Distillers Products Corp.
EGK	National Enameling & Stamping Co.
NG	National Gypsum Co.
NG Pr	*Nat'l Gypsum Co., $4.50 Cv. Cum. Pfd.
LT	National Lead Co.
LT Pr A	*National Lead Co., Pfd. A.
PT Pr B	*National Lead Co., Pfd. B.
NLS	National Linen Service Corp.
NML	National Malleable & Steel Castings Co.
NL-XD	National Power & Light Co., Ex-Distrib.
NS	National Steel Corp.
NSU	National Sugar Refining Co. (The)
NH	National Supply Co. (Pa.) (The)
NH Pr	*Nat'l Supp.Co.(Pa.)(The),4 1/2% Cum. Pfd.
NTY	National Tea Co.
NLV	National Vulcanized Fibre Co.
NOM	Natomas Co.
NHI	Nehi Corporation.
NEB	Neisner Brothers, Inc.
NEB Pr	*Neisner Brothers, Inc., Cum. Serial Pfd.
JJN	Newberry (J. J.) Co.
JJN Pr	*Newberry (J. J.) Co., 3 3/4% Cum. Pfd.
NES	New England Electric System.
NJP Pr	*New Jersey Power & Light Co., Pfd.
NEM	Newmont Mining Corp.
NT	Newport Industries, Inc.
NT Pr	*Newport Industries,Inc.,4 1/4% Cum. Pfd.
NND	Newport News Ship. & Dry Dock Co.
NRB	New York Air Brake Co.
CN	New York Central R. R. Co.
NKP	N. Y., Chicago & St. L. R. R. Co.
NKP Pr	N. Y., Chicago & St. L. R. R. Co., Pfd. A.
NYB	New York City Omnibus Corp.
NYD	New York Dock Co.
NYD Pr	New York Dock Co., Pfd.
HAR	*New York & Harlem R. R. Co.
V Pr	N.Y., N.H. & Hartf. R.R.Co., Pfd., 5%, A.
NYP Pr	*N.Y. Power & Light Corp., Cum. Pfd.
NSB	N.Y. Shipbuilding Corp., Partic.
NGE Pr	*N.Y. State Elec. & Gas Corp., 3.75% Pfd.
NSI	Noblitt-Sparks Industries, Inc.
NOP	Nopco Chemical Co.
NFK	Norfolk & Western Ry. Co.
NFK Pr	Norfolk & Western Ry. Co., Adj. Pfd.
NV	North American Aviation, Inc.
NA	North American Co.
NNX	*Northern Central Ry. Co.
NNG	Northern Natural Gas Co.
NP	Northern Pacific Railway Co.
NRS Pr	*North.States Pwr. Co.(Minn.),$3.60 Pfd.
NWA	Northwest Airlines, Inc.
NWA Pr	Northwest Airlines, Inc., 4.6% Cum. Pref.
NWT	*Northwestern Telegraph Co.
NRT	Norwalk Tire & Rubber Co.
NOR	Norwich Pharmacal Co.

O

OEC	Ohio Edison Co.
OFC Pr	*Ohio Edison Co., Pfd.
OHO	Ohio Oil Co. (The)
OGE Pr	Oklahoma Gas & Elec. Co., 4% Cum. Pfd.
OF	Oliver Corporation (The)
OF Pr	*Oliver Corp. (The), 4 1/2% Cum. Cv. Pfd.
OM	Omnibus Corp. (The)
OM Pr	*Omnibus Corp. (The), Cv. Pfd. A.
OPS	Oppenheim, Collins & Co., Inc.
OT	Otis Elevator Co.
OT Pr	*Otis Elevator Co., Pfd.
OMM	Outboard, Marine & Manufacturing Co.
OTU	*Outlet Co. (The)
OB	Owens-Illinois Glass Co.

P

PCF	Pacific American Fisheries, Inc.
PCX	*Pacific Coast Co.
PCX I Pr	*Pacific Coast Co., 1st Pfd.
PCX II Pr	*Pacific Coast Co., 2nd Pfd.
PCG	Pacific Gas & Electric Co.
PLT	Pacific Lighting Corp.
PFS	Pacific Mills
PAC	*Pacific Tel. & Tel. Co.
PAC Pr	*Pacific Tel. & Tel. Co., Pfd.
PTC	Pacific Tin Consolidated Corp.
PWO	Pacific Western Oil Corp.
K	Packard Motor Car Co.
PN	Pan American Airways Corp.
PPS	Pan American Petroleum & Transp. Co.
PEL	Panhandle Eastern Pipe Line Co.
PEL Pr	*Panhandle Eastern Pipe Line Co., Pfd.
PDF	Panhandle Producing & Refining Co.
PAF	Paraffine Companies, Inc. (The)
PAF Pr	*Paraffine Companies, Inc. (The), Cv. Pfd.
PX	Paramount Pictures Inc.
PKT	Park & Tilford, Inc.
PK	Park Utah Consolidated Mines Co.
PDC	Parke, Davis & Co.
PRK	Parker Rust Proof Co.
PTE	Parmelee Transportation Co.
PAE	Patino Mines & Enterprises Cons. (Inc.)
PFK	Penick & Ford, Ltd., Inc.

PEJ	Penney (J. C.) Co.
PCA	Pennsylvania-Central Airlines Corp.
PVX	Pennsylvania Coal & Coke Corp.
DXC	Pennsylvania-Dixie Cement Corp.
PGS	Penna. Glass Sand Corp.
PGS Pr	*Penna. Glass Sand Corp., 5% Cum. Pfd.
PPL	Pennsylvania Power & Light Co.
PA	Pennsylvania R. R. Co.
PSM	Pennsylvania Salt Mfg. Co. (The)
PSM Pr	*Penna.Salt Mfg. Co.(The), Pfd., 3 1/2%,A.
PDG	Peoples Drug Stores, Inc.
PGL	Peoples Gas Light & Coke Co.
PER	Peoria & Eastern Ry. Co.
DOC	Pepper (Dr.) Co.
PEP	Pepsi-Cola Co.
PET	Pet Milk Co.
PET Pr	*Pet Milk Co., 2nd Pfd.
PEO	Petroleum Corporation of America
PFB	Pfeiffer Brewing Co.
PFE	Pfizer (Chas.) & Co., Inc.
PD	Phelps Dodge Corp.
PHC Pr	*Philadelphia Co., 6% Pfd.
PHC Pref N	*Philadelphia Co., $6 Pref.
PE	Philadelphia Electric Co.
PE I Pref	Philadelphia Elec. Co., $1 Div.Pref.Com.
PE Pr	*Philadelphia Elec. Co., 4.4% Cum. Pfd.
PE 3.8 Pr	Philadelphia Elec. Co., 3.8% Cum. Pfd.
PRG	Phila. & Reading Coal & Iron Co. (The)
PHL	Philco Corp.
PHL Pr	*Philco Corp., Pfd., 3 3/4% Ser. A.
PJN	Phillips-Jones Corp.
PJN Pr	*Phillips-Jones Corp., 5% Cum. Pfd.
P	Phillips Petroleum Co.
PXY	Phoenix Hosiery Co.
PSY	Pillsbury Mills, Inc.
PSY Pr	*Pillsbury Mills, Inc., $4 Cum. Pfd.
PTS	*Pitts., Cin., Chic. & St. L. R. R. Co.
PCK	Pittsburgh Coke & Chemical Co.
PCK Pr	*Pittsburgh Coke & Chemical Co., Pfd.
PBM	Pittsburgh Consolidation Coal Co.
PFG	Pittsburgh Forgings Co.
PFT	*Pitts., Ft. Wayne & Chicago Ry. Co.
PFT Pr	*Pitts., Ft. Wayne & Chicago Ry. Co., Pfd.
PPG	Pittsburgh Plate Glass Co.
PIT	Pittsburgh Screw & Bolt Corp.
PSC	Pittsburgh Steel Co.
PSC Pr B	*Pittsburgh Steel Co.,Class B, 7% Cum. Pfd.
PSC P Pr	*Pitts. Steel Co.,Cv.Pr.Pfd.1st Ser.,5 1/2%.
PSC V Pr	*Pittsburgh Steel Co., Class A, 5% Pfd.
PW	Pittsburgh & West Virginia Ry. Co.
PYA Pr	*Pittsburgh,Youngs, & Ash. Ry. Co., Pfd.
PCO	Pittston Co. (The)
PLO	Plough, Inc.
PYO	Plymouth Oil Co.
PND	Pond Creek Pocahontas Co.
POR	Poor & Co., Class B.
POM	Potomac Electric Co.
PS	Pressed Steel Car Co., Inc.
PS Pr	Pressed Steel Car Co., Inc.,4 1/2% Pfd. A.
PG	Proctor & Gamble Co.
PSR	Public Service Co. of Colorado
PJ	Public Service Corp. of N. J.
PJ V Pr	*Public Service Corp. of N. J., $5 Pfd.
PJ VI Pr	*Public Service Corp. of N. J., 6% Pfd.
PJ VII Pr	*Public Service Corp. of N. J., 7% Pfd.
PJ VIII Pr	*Public Service Corp. of N. J., 8% Pfd.
PEG V Pr	*Public Service Elec. & Gas Co., $5 Pfd.
PUL	Publicker Industries, Inc.
PUL Pr	*Publicker Industries, Inc., $4.75 Cum. Pfd.
PU	Pullman Incorporated.
PY	Pure Oil Co. (The)
PY Pr	Pure Oil Co. (The), 5% Cum. Cv. Pfd.
PT	Purity Bakeries Corp.

Q

KSF	Quaker State Oil Refining Corp.

R

RC	Radio Corporation of America
RC Pr	Radio Corporation of America, 1st Pfd.
RK	Radio-Keith-Orpheum Corp.
RSY	*Railroad Securities Co., Ill. Cent. Ctfs.
RPC Pr	*Ralston Purina Co., Pfd.
RAY	Raybestos-Manhattan, Inc.
RNR	Rayonier Inc.
RNR Pr	Rayonier Inc., Cum. Pfd.
RDG	Reading Co.
RDG I Pr	Reading Co., 1st Pfd.
RDG II Pr	Reading Co., 2nd Pfd.
SLK	Real Silk Hosiery Mills, Inc.
SLK Pr	*Real Silk Hosiery Mills, Inc., Pfd.
RVS	Reeves Brothers, Inc.
RIS Pr	Reis (Robert) & Co., $1.25 Div. Prior Pref.
RES	Reliable Stores Corp.
RMC	Reliance Manufacturing Co.
RMC Pr	*Reliance Mfg.Co.,Cum.Cv.Pfd.,3 1/2% Ser.
RR	Remington Rand Inc.
RR Pr	Remington Rand Inc., Cum. Pfd.
RY	Reo Motors, Inc.
RA	Republic Aviation Corp.
RPT	Republic Pictures Corp.
RPT Pr	Republic Pictures Corp.,$1 Cum. Cv. Pfd.
RS	Republic Steel Corp.
RS Pr	Republic Steel Corp., Cv. Pr. Pref. A.
RVB	Revere Copper & Brass Inc.
PVB Pr	*Revere Copper & Brass Inc., 5 1/4% Pfd.
REX	Rexall Drug, Inc.
RLM	Reynolds Metals Co.
RLM Pr	*Reynolds Metals Co., Cv. Pfd.
RSA	Reynolds Spring Co.
RJ	*Reynolds (R. J.) Tobacco Co.
RJB	Reynolds (R. J.) Tobacco Co., Class B.
RJ Pr	Reynolds (R. J.) Tobacco Co., Pfd.
RHE	Rheem Manufacturing Co.
RL	Richfield Oil Corp.
RDL	Ritter Co., Inc.
RNO	Roan Antelope Copper Mines, Ltd.
RAM	Ronson Art Metal Works, Inc.
RTI	Royal Typewriter Co., Inc.
RBR	Ruberoid Co. (The)
RUP	Ruppert (Jacob)

S

SA	Safeway Stores, Inc.
SA Pr	*Safeway Stores, Inc., 5% Pfd.
JO	St. Joseph Lead Co.
FN	St. Louis-San Francisco Ry., Com. v.t.c.
FN Pr	St. Louis-San Fran.Ry., 5% Pfd.v.t.c.,"A"
SWR	*St. Louis Southwestern Ry. Co.
SWR Pr	*St. Louis Southwestern Ry. Co., 5% Non-Com. Pfd.
SRT	St. Regis Paper Co.
SRT Pr	*St. Regis Paper Co., 1st Pfd.,4.40% Ser.A.
SVM	Savage Arms Corp.

SH	Schenley Distillers Corp.
SPP	Scott Paper Co.
SPP Pr	*Scott Paper Co., $3.40 Cum. Pfd.
SCO Pr	*Scovill Mfg. Co., 3.65% Cum. Pfd.
SRL	Scranton Elec. Co. (The)
SRL Pr	*Scranton Elec.Co.(The), 3.35% Cum. Pfd.
SBD	Seaboard Air Line R. R., Com. v.t.c.
SBD Pr	Seaboard Air Line R. R., 5% Pfd. "A".
SFC	Seaboard Finance Co.
MSX	Seaboard Oil Co. of Delaware
SVE	Seagrave Corp. (The)
S	Sears, Roebuck & Co.
SGX	Seeger Refrigerator Co.
SRU	Seiberling Rubber Co.
SE	Servel, Inc.
SE Pr	*Servel, Inc., $4.50 Cum. Pfd.
SHM	Shamrock Oil & Gas Corp. (The)
SSH	Sharon Steel Corp.
SDO	Sharp & Dohme, Inc.
SDO Pr	Sharp & Dohme, Inc., Cv. Pref. A.
FHK	Shattuck (Frank G.) Co.
SHE	Sheaffer (W. A.) Pen Co.
SUO	Shell Union Oil Corp.
SHR	Sheraton Corp. of America
SKC	Silver King Coalition Mines Co.
SIM	Simmons Co.
SDS	Simonds Saw and Steel Co.
L	Sinclair Oil Corp.
SYE	Skelly Oil Co.
SLS	Sloss-Sheffield Steel & Iron Co.
SMC	Smith (A. O.) Corp.
AXS	Smith (Alexander) & Sons Carpet Co.
AXS Pr	*Smith (Alexander) & Sons Carpet Co., Pfd.
SLT	Smith (L. C.) & Corona Typewriters, Inc.
SOV	Socony-Vacuum Oil Co., Inc.
SGP	South American Gold & Platinum Co.
SCG	South Carolina Electric & Gas Co.
SCG Pr	South Carolina Elec. & Gas Co., 5% Pfd.
PSU	South Porto Rico Sugar Co.
PSU Pr	South Porto Rico Sugar Co., 8% Pfd.
SGL	Southeastern Greyhound Lines
SCE	Southern California Edison Co.
SGA	Southern Natural Gas Co.
SX	Southern Pacific Co. (Delaware)
SR	Southern Railway Co.
SR Pr	Southern Railway Co., Pfd.
SRM	*Southern Ry.Co.(M.& O.Stk.Tr.Ctfs.)
AGS	Spalding (A. G.) & Bros., Inc.
SKW	Sparks-Withington Co. (The)
SST	Spear & Co.
SST Pr	*Spear & Co., Pfd.
SY	Sperry Corp. (The)
SM	Spiegel, Inc.
SM Pr	*Spiegel, Inc., $4.50 Cv. Pfd.
SQU	Square D Co.
ERS	Squibb (E. R.) & Sons
ERS Pr	*Squibb (E. R.) & Sons, $4 Cum. Pfd.
SB	Standard Brands, Inc.
SB Pr	Standard Brands, Inc., $3.50 Cum. Pfd.
SG Pr	Standard Gas & Electric Co., $4 Cum. Pfd.
SG VI Pr	Standard Gas & Electric Co., $6 Pr. Pref.
SG VII Pr	Standard Gas & Electric Co., $7 Pr. Pref.
SD	Standard Oil Co. of California (Del.)
SN	Standard Oil Co. (Indiana)
J	Standard Oil Co. (New Jersey)
SOH	Standard Oil Co. (Ohio) (The)
SOH Pr	Standard Oil Co.(Ohio)(The), Cum. Pfd. A.
SSS	Standard Steel Spring Co.
SSS Pr	Standard Steel Spring Co., 4% Cv. Pfd.
SCX	Starrett (L. S.) Co. (The)
SBI	Sterchi Bros. Stores, Inc.
STY	Sterling Drug Inc.
STY Pr	Sterling Drug Inc., 3 1/2% Cum. Pfd.
STN	Stevens (J. P.) & Co., Inc.
STX	Stewart-Warner Corp.
SBC	Stokely-Van Camp, Inc.
SBC Pr	Stokely-Van Camp, Inc., 5% Cum. Pr. Pref.
SW	Stone & Webster, Inc.
SU	Studebaker Corp.
SNL	Sun Chemical Corp.
SNL Pr	*Sun Chemical Corp., $4.50 Pfd., "A".
SUN	Sun Oil Co.
SUN Pr	*Sun Oil Co., Class A Pfd.
SUY	Sunray Oil Corp.
SNB	Sunshine Biscuits, Inc.
SSC	Sunshine Mining Co.
SRX	Superheater Co. (The)
SOC	Superior Oil Co. (California)
SSU	Superior Steel Corp.
SUP	Sutherland Paper Co.
SWA	Sweets Co. of America (The), Inc.
SWX	Swift & Co.
SFT	Swift International Co., Ltd., Dep. Ctfs.
SEP	Sylvania Electric Products, Inc.
SEP Pr	*Sylvania Elec.Products,Inc., $4 Cum. Pfd.
SZ	Symington-Gould Corp. (The)

T

TLC	Talcott (James), Inc.
TEL	Telautograph Corporation
TCC	Tennessee Corporation
TX	Texas Company (The)
TR	Texas Gulf Producing Co.
TG	Texas Gulf Sulphur Co.
TPX	Texas & Pacific Railway Co.
TS	Texas Pacific Coal & Oil Co.
TXL	Texas Pacific Land Trust sub-share ctfs.
TXT	Textron, Inc.
TXT Pr	Textron, Inc., $1.25 Conv. Pfd.
TMC	Thatcher Glass Mfg. Co., Inc.
TMC Pr	*Thatcher Glass Mfg. Co., Inc., Cv. Pref.
THR	Thermoid Co.
THR Pr	*Thermoid Co., Cv. Pfd.
TAV	Third Avenue Transit Corp.
TOM	Thomas Steel Co. (The)
THM	Thompson (John R.) Co.
THO	Thompson Products, Inc.
THO Pr	*Thompson Products, Inc., Cum. Pfd.
TST	Thompson-Starrett Co., Inc.
TST Pr	Thompson-Starrett Co., Inc., Pref.
TV	Tide Water Associated Oil Co.
TV Pr	*Tide Water Associated Oil Co., $3.75 Pfd.
TDX	Timken-Detroit Axle Co. (The)
TKR	Timken Roller Bearing Co.
TA	Transamerica Corp.
TWA	Transcontinental & Western Air, Inc.
TSW	Transue & Williams Steel Forging Corp.
TY	Tri-Continental Corp.
TY Pr	*Tri-Continental Corp., Pfd.
TRC	Truax-Traer Coal Co.
TF	Twentieth Century-Fox Film Corp.
TF 1 1/2Pr	Twentieth Century-Fox Film Cp.,$1.50 Pfd.
TF 4 1/2 Pr	Twentieth Century-Fox Film Corp., $4.50. Prior Pfd.
TWC	Twin City Rapid Transit Co.

TWC Pr	*Twin City Rap. Trans. Co., 5% Cum. Pfd.
TWN	Twin Coach Co.

U

UYT	Udylite Corp. (The)
UNX	Underwood Corporation
UNR	Union Asbestos & Rubber Co.
BP	Union Bag & Paper Corp.
UK	Union Carbide & Carbon Corp.
UEP 4 1/2 Pr	*Union Electric Co. of Mo., Pfd., $4.50 Ser.
UEP Pr	*Union Electric Co. of Mo., Pfd., $3.70 Ser.
UEP 3 1/2 Pr	*Union Electric Co., of Mo., Pfd., $3.50 Ser.
UCL	Union Oil Co. of California
UP	Union Pacific Railroad Co.
UP Pr	Union Pacific Railroad Co., Pfd.
UTX	Union Tank Car Co.
UR	United Aircraft Corp.
UR Pr	United Aircraft Corp., 5% Cum. Cv. Pfd.
AL	United Air Lines, Inc.
AL Pr	United Air Lines, Inc., 4 1/2% Cum. Pfd.
UBS	United Biscuit Co. of America
PB	United Board & Carton Co.
UCB	United Carbon Co.
UCF	United-Carr Fastener Corp.
UCW	United Cigar-Whelan Stores Corp.
UCW Pr	*United Cigar-Whelan Stores Corp., Cv.Pfd.
U	United Corporation (The)
U Pr	United Corporation (The), $3 Cum. Pref.
UDY	United Dyewood Corp.
UDY Pr	*United Dyewood Corp., Pfd.
UCC	United Electric Coal Companies
UEF	United Engineering & Foundry Co.
UF	United Fruit Co.
UG	United Gas Improvement Co.
UDM	United Merchants & Mfrs., Inc.
UFO	U. S. & Foreign Securities Corp.
UFO Pr	*U. S. & Foreign Securities Corp., 1st Pfd.
UFG	U. S. Freight Co.
USG	U. S. Gypsum Co.
USG Pr	*U. S. Gypsum Co., Pfd.
HMY	U. S. Hoffman Machinery Corp.
HMY Pr	*U. S. Hoffman Machinery Corp., Cum. Pfd.
UD	U. S. Industrial Chemicals, Inc.
LX	U. S. Leather Co. (The)
LX A	U. S. Leather Co. (The), Cl.A.Cv.Partic.
USL	U. S. Lines Co.
USL Pr	U. S. Lines Co., 4 1/2% Pfd.
CJ	U. S. Pipe & Foundry Co.
USP	U. S. Playing Card Co. (The)
PLY	U. S. Plywood Corp.
PLY Pr	*U. S. Plywood Corp., 3 3/4% Cum.Pfd., A.
R	U. S. Rubber Co.
R Pr	U. S. Rubber Co., 1st Pfd.
UV	U. S. Smelting, Ref. & Mining Co.
UV Pr	U. S. Smelting, Ref. & Mining Co., Pfd.
X	U. S. Steep Corp.
X Pr	U. S. Steel Corp., Pfd.
UBO	U. S. Tobacco Co.
UBO Pr	*U. S. Tobacco Co., Pfd.
UST	United Stockyards Corp.
UDS Pr	United Stores Corp., $6 Cum. Cv. Pfd.
UDS II Pr	United Stores Corp., $4.20 Non-Cum. 2nd Pfd.
UNW	United Wallpaper, Inc.
UNW Pr	United Wallpaper, Inc., 4% Cum.Cv.Pfd.
UCS	Universal-Cyclops Steel Corp.
ULA	Universal Laboratories, Inc.
UVV	Universal Leaf Tobacco Co., Inc.
UVV Pr	*Universal Leaf Tobacco Co., Inc., Pfd.
UVL	Universal Pictures Co., Inc.
UVL Pr	*Universal Pictures Co., Inc., Cum. Pfd.

V

VA	Vanadium Corp. of America
VNT	Van Norman Co.
VRT	Van Raalte Co., Inc.
VEC	Vertientes-Camaguey Sugar Co. of Cuba
VIK	Vick Chemical Co.
VKS	*Vicksburg, Shreve. & Pac. Ry. Co.
VKS Pr	*Vicksburg, Shreve. & Pac. Ry. Co., Pfd.
VCW	Victor Chemical Works
VCW Pr	*Victor Chemical Works, 3 1/2% Cum. Pfd.
VCW Pr-N	*Victor Chemical Works, 3 1/2% Cum. Pfd., 2nd Series
VC	Virginia-Carolina Chemical Corp.
VC Pr	Va.-Carolina Chem. Corp., Partic. Pfd.
VEL	Virginia Electric & Power Co.
VEL Pr	*Virginia Electric & Power Co., $5 Pfd.
VKE Pr	*Virginia Iron, Coal & Coke Co., Pfd.
VRY	Virginian Railway Co. (The)
VRY Pr	Virginian Railway Co. (The), Pfd.
VKG	Visking Corp. (The)
VDT	*Vulcan Detinning Co. (The)
VDT Pr	*Vulcan Detinning Co. (The), 7% Cum. Pfd.

W

WA Pr	Wabash R. R. Co., Pfd.
WXY	Waldorf System, Inc.
WAG	Walgreen Co.
WAG Pr	*Walgreen Co., 4% Cum. Pfd.
HIR	Walker (Hir.)-Gooderham & Worts, Ltd.
WW	Walworth Co.
WD	Ward Baking Co.
WD Pr	*Ward Baking Co., 5 1/2% Cum. Pfd.
WB	Warner Bros. Pictures, Inc.
WFP	Warren Foundry & Pipe Corp.
WRN	Warren Petroleum Corp.
WRN Pr	*Warren Petrol. Corp., 3 3/4% Cum. Cv.Pfd.
WGL	Washington Gas Light Co.
WKU	Waukesha Motor Co.
WKT	Wayne Knitting Mills
WNP	Wayne Pump Co. (The)
WBS	Webster Tobacco Co., Inc.
WNO	Wesson Oil & Snowdrift Co., Inc.
WNO Pr	*Wesson Oil & Snowdrift Co., Inc., Cv.Pfd.
WID	West Indies Sugar Corp.
WSX	Western Air Lines, Inc.
WST	Western Auto Supply Co.
WM	Western Maryland Railway Co.
WM II Pr	Western Maryland Railway Co., 2nd Pfd.
WRS	Western Pacific Railroad Co. (The)
WRS Pr	Western Pac. R. R. Co.(The), Pfd.,Ser.A.
WU	Western Union Telegraph Co., Class A.
WK	Westinghouse Air Brake Co.
WX	Westinghouse Electric Corp.
WX Pr A	*Westinghouse Elec. Corp., 3 1/2% Pfd. A.
WX Pr B	Westinghouse Elec. Corp., 3.80% Pfd. B.
WNE	Weston Electrical Instrument Corp.
WEP A	*West Penn Electric Co., Class A
WEP VI Pr	*West Penn Electric Co., 6% Pfd.
WEP VII Pr	*West Penn Electric Co., 7% Pfd.
WSP Pr	*West Penn Power Co., Cum. Pfd.
WCO	Westvaco Chlorine Products Corp.
WCO Pr	*Westvaco Chlorine Prod. Corp., $3.75 Pfd.

WVP	West Va. Pulp & Paper Co.
WVP Pr	*West Va.Pump & Pap.Co., 4 1/2% Cum. Pfd.
WLE	*Wheeling & Lake Erie Railway Co.
WLE Pr	*Wheeling & Lake Erie Ry. Co., Cv. Pfd.
WHX	Wheeling Steel Corp.
WHX Pr	*Wheeling Steel Corp., Cv. Prior Pfd.
WDM	White (S. S.) Dental Mfg. Co. (The)
WH	White Motor Co.
WSW	White Sewing Machine Corp.
WSW Pr	*White Sewing Machine Corp., Cv. Pref.
WSW P Pr	White Sewing Machine Corp., Prior Pref.
WXC	Wilcox Oil Co.
WO	Willys-Overland Motors, Inc.
WO Pr	Willys-Overland Motors, Inc., Cum.Pfd., A
WIL	Wilson & Co., Inc.
WIL Pr	Wilson & Co., Inc., $4.25 Cum. Pfd.
WLJ	Wilson-Jones Co.
WPC	Wisconsin Electric Power Co.
WPC Pr	*Wisconsin Electric Power Co., Pfd.
GWD	Wood (Gar) Industries, Inc.
GWD Pr	Wood (Gar) Indus., Inc., Cum. Cv. Pfd.
WOD	Woodward Iron Co.
Z	Woolworth (F. W.) Co.
WP	Worthington Pump & Machinery Corp.
WP CvP Pr	*Worth.Pump & Mach. Corp., Pr. Pfd. Cv.
WP P Pr	*Worth.Pump & Mach. Corp., Prior Pfd.
WAC	*Wright Aeronautical Corp.
WWY	Wrigley (Wm., Jr.) Co.
WYO	Wyandotte Worsted Co.

Y

YAT	Yale & Towne Manufacturing Co.
YOK	York Corporation
YOK Pr	York Corporation, 4 1/2% Com. Pfd.
YG	Young ¢L. A.) Spring & Wire Corp.
YB	Youngstown Sheet & Tube Co.
YSD	Youngstown Steel Door Co. (The)

Z

ZE	Zenith Radio Corp.
ZP	Zonite Products Corp.

* Ten Share Unit Stocks.

EXPLANATORY NOTES

1. Single Lots. Sales of single lots of stock dealt in in units of 100 shares will be printed with no quantity indicated. Thus, a sale of 100 shares of U. S. Steel at 67 5/8 will be printed X67 5/8.

2. Lots of Two of More. Sales consisting of two or more lots of stock dealt in in units of 100 shares will be indicated by printing the number of lots followed by the letter "S" on the lower line, and then followed by the price. Thus, a sale of 200 shares at 67 5/8 will be printed X2S67 5/8. The quantity of sales of 1,000 shares or more will be printed in full, e. g., X1000S67 5/8.

3: Odd Lots. (a) Sales of odd lots of stock will not be printed, except upon approval of a member of the Committee on Floor Procedure. When so approved a sale of 25 shares at 67 5/8 will be printed, X25SHRS67 5/8.

(b) Sales of odd amounts of more than the trading unit will be printed as follows: X125SHRS67 5/8.

4. 10-Share Unit Stocks. The quantity of sales of stocks dealt in on a 10-share-unit basis will be designated by the letters SS on the lower line. Thus, a sale of 10 shares of N. Y. & Harlem R. R. at 131 will be printed HAR10SS131.

5. Active Markets. When the tape is one minute or more late the first digit of the price will be dropped, except on opening sales, or when circumstances make it advisable to report the full figure.

6. "FLASH" Printing. When the ticker becomes five minutes late, "flash" prices in certain selected stocks are printed at regular intervals. These are intended only to facilitate observation of the market, and the sales establishing the prices are printed in their normal positions.

7. Delayed Print. When a sale is not reported in its proper place, the letters SLD on the upper line will follow the symbol, e. g., X.SLD2S67 5/8.

8. Seller's Option Contracts. Seller's Option contracts will be printed with the word "SELLER" following the price, and then followed by the number of days for which the contract runs, e. g., X67 5/8 SELLER 7.

9. Bids and Offers. Bids will be printed with the letter "B" on the lower line preceding the price, and offers will be printed with the letter "O" on the lower line preceding the price, e. g., XB. 67 1/2..O.67 5/8.

10. Errors: Methods of Correction. (a) When an error in printing is discovered immediately, the last letter or figure will be repeated several times indicating that the sale is to be disregarded, e.g., X67 5/8 5/8 5/8 5/8 5/8.

(b) When an error in printing is discovered after other sales have been printed, the correction will be indicated thus: NO. X 67 1/2, WAS 67 5/8, or NO. 67 5/8, WAS C67 5/8.

11. When an opening sale takes place and is not printed in the usual manner in relation to other sales at about the same time, such opening sale will be printed on the tape accompanied by the ticker symbol "OPD".

12. The "Basis Prices" jointly fixed by the odd-lot dealers will be printed on the stock ticker tape after the close of the market and will be prefaced by the following language: "Basis Prices Established by Odd-Lot Dealers."

The basis price is set by the odd-lot dealers by agreement after the close of the market on every business day in stocks in which: (1) There has been no round-lot sale during the trading session of that day. (2) The closing bid and offer are two points or more apart. (3) An order was received prior to 2:30 P.M. (11.30 A.M. on Saturday) and marked before the close of the market "on basis", provided that in the case of limited and stop orders the basis price is effective.

The differential is 1/8 away from the basis price. The odd-lot dealer will not fill an order to sell "on basis", marked short.

WORDS AND PHRASES

Abbvn.	Words and Phrases
A	Class A.
ASD	Assented.
B	(on upper line) Class B.
B	(on lower line) Bid (Note #9).

C	(on lower line) Cash.
C	(on lower line, in closing prices) See Note #11.
c	
t	Certificates.
CV	Convertible.
D	Debentures.
F PD	Full Paid.
FLASH	See Note #6.
GTD	Guaranteed.
I	First.
II	Second.
III	Third.
LL	Leased Line.
N	New Stock.
ND	Next Day.
O	(on lower line) Offered (Note #9).
OPD	Opened.
Pr	Preferred.
P Pr	Prior or Participating Preferred.
P PD	Part Paid.
RT	Rights.
RCT	Receipts.
S	(on lower line) See Note #2.
SHRS	Odd Lots (100 share basis).
SLD	Sold (Note #7).
SS	See Note #4.
STD	Stamped.
WAS	See Note #10-b.
WD	When Distributed.
WI	When Issued.
WS	Warrants.
WW	With Warrants.
XD	Ex-Dividend.
XW	Without Warrants.

NEW YORK STOCK EXCHANGE BULLETIN

As of April 30, 1930, the New York Stock Exchange published its first monthly "New York Stock Exchange Bulletin." This Bulletin was not intended as a vehicle for editorial comment or opinion. Its object was to collect together in convenient form economic data relative to security markets, and particularly regarding the New York Stock Exchange.

Beginning in 1939, however, the Bulletin was succeeded by the new monthly magazine, "The Exchange". This monthly publication contains articles of current interest on financial subjects, highlighted in modern magazine treatment with pictorial backgrounds and providing readability as well as basic facts and data. "The Exchange" is sold by subscription at $1 per year, which price falls short of meeting actual costs. However, the New York Stock Exchange feels "The Exchange" is an important vehicle in effecting a more realistic appreciation of the listed securities business, and has kept the subscription price at a popular level.

NEW YORK STOCK EXCHANGE CLEARING HOUSE

A subsidiary of the New York Stock Exchange, now known as the Stock Clearing Corporation, the purpose of which is to clear stock transactions among its member brokers in much the same way as checks are cleared through a clearing house for its member banks.

Stock exchange clearing houses were first established in Europe, the Frankfort Stock Exchange inaugurating a system as early as 1867. At the present time, the system is used by all important stock exchanges throughout the world. The New York Consolidated Stock Exchange introduced its system in 1886, and the New York Stock Exchange on May 17, 1892.

Prior to the adoption of stock exchange clearing houses, it was necessary for a broker who had sold stocks to deliver them to the offices of the various purchasing brokers and collect payment therefor. Likewise, brokers from whom he had purchased stocks were compelled to deliver stocks to his offices and receive payment therefor.

At the present time, however, a broker at the close of each day's business makes up a clearing house sheet, displaying the purchases on the left-hand side, and sales on the right-hand. The number of shares, name of security, price, and name of broker to whom delivery or from whom receipt is to be made, are indicated. Thus, the left side shows the amount to be received, while the right side shows the amount to be delivered. If the broker's purchases in money value exceed his sales, the clearing house sheet is accompanied with a check payable to the Stock Clearing Corporation; but if the sales exceed the purchases then a credit memorandum showing the amount due from or draft upon, the Stock Clearing Corporation is forwarded with the clearing house sheet.

In very few cases will a broker buy the same amount of a given stock as he sells, or vice versa. The stock difference, therefore, must be settled as well as the money difference. But the stock difference is provided for at the time the clearing house sheet is made up. "The balances of securities that may appear on one side or the other of the sheet must actually be received or delivered at a fixed 'delivery' or 'settlement' price, published by the clearing house in advance of the making up of the clearing sheet. The totals of these fixed delivery items are taken care of by a system of debits and credits in the clearing house. No injustice results from this practice, because the brokerage firm in making up the statement automatically credits or debits itself on the clearing sheet for any loss or profit (for which, of course, it is not responsible), that may arise because the arbitrary settlement price happens to be higher or lower than the contract price. And all such debits and credits by all brokerage houses concerned in the transactions will necessarily offset one another so that the sum total of all checks sent to the clearing house will just equal all drafts upon it" (Huebner, S.S.: The Stock Market).

The Stock Clearing Corporation was organized in 1920 with a capital of $500,000 divided into shares of $100 each, all of which is owned by the New York Stock Exchange. Charges are paid by the clearing members based on the number of shares cleared and their value. With certain exceptions, all transactions of stock exchange members must be cleared through the Stock Clearing Corporation, except that only transactions involving 100 share lots or multiples thereof, are eligible.

Only active securities, moreover, can be cleared in this way, the Stock Clearing Corporation designating from time to time the list of securities which will be received for clearing purposes. These are known as clearing house stocks.

A system of central delivery of securities was instituted in 1929 between members of the Stock Clearing Corporation and between members and the major New York City banks (non-members).

Income of the Stock Clearing Corporation fluctuates according to the volume of trading, and in 1947 totaled

$1,204,645, compared with $1,567,894 in 1946.

The auditing of the operations of both the day and night clearing branches is in the hands of a department under the direction of the assistant treasurer where is concentrated the routine work of auditing, collecting charges from members, and the continuous check and reconciliation of bank balances. It is an entirely separate department and was organized and operates on the same principles as the auditing departments of large corporations.

Owing to the tremendous value of negotiable securities going through the premises of the day branch, a very complete guarding system is in existence and the premises are protected in the most modern way possible. No employee of a firm is admitted to these premises without having an identification card with his picture thereon and his having filed a complete history sheet that is duly investigated and passed upon by the Division of Records and Investigations. (See Clearing House, New York Stock Exchange.)

Bibliography

Huebner, S. S.: The Stock Market, 1934.
Stock Clearing Corp.: Description of Operation, 1935.

NEW YORK SUGAR EXCHANGE

See New York Coffee and Sugar Exchange.

NEW YORK TIMES BUSINESS INDEX

The New York Times Weekly Index of Business Activity is published every Sunday in the Business and Financial News Section. The combined index uses "an estimated normal" because the base periods of the components vary. The six components are adjusted for seasonal variation with the exception of the steel series, which is calculated upon a percentage of capacity. The steel component is also adjusted for long term trend, as is the power series.

The estimated normals for the various components are as follows: Miscellaneous carloadings, 48,000 cars per day, the approximate average for the period 1928-1937; other carloadings, 72,000 cars per day, the approximate average for the period 1928-1937; steel ingot production, 69% capacity, the approximate average for 1919-1939; electric power production, a straight line rising trend to allow for the normal growth of the industry, with a weekly increment of 186,000 kwh in the daily average; paperboard production, 20,240 tons per day, the average of the period 1935-1939; lumber production, 35,660 thousand feet per day, the average for 1935-1939.

The weights for the components are now as follows:

	Effective Weights	Adjusted Weights
Miscellaneous loadings	22	.21
Other loadings	12	.13
Steel ingot production	25	.10
Electric Power production	17	.38
Paperboard production	12	.10
Lumber Production	12	.08

The adjusted weights are obtained from the effective weights by dividing the effective weights by the range or amplitude of each index of the periods from 1934 to 1939. The purpose of this adjustment is to give the assigned weights their true value undistorted by the varying cyclical amplitude of the various components.

To obtain the combined index figure, the component indices are multiplied by the adjusted weights. The results are added and the total multiplied by 1.024, an adjustment factor introduced when the automobile and cotton mill activity series were eliminated because of World War II.

This business index has been compiled by the New York Times weekly since January 5, 1929. Each of the six series is published separately in figures, along with the combined index, for current week, previous week and week of year ago, and the combined index is also charted and published in chart form along with the figures.

(See Business Barometers, Index Numbers.)

NEXT OF KIN

Those persons closest related by blood; but as construed by courts, relatives sharing in the estate according to the provision of the statutes of distribution. In New York State, all distinctions between persons who take as heirs at law or next of kin were abolished September 1, 1930, and the term "distributees" now covers both types of takers.

(See Heir.)

NICKEL COIN

A name given to the United States five cent piece. It is classified as one of the Minor Coins (q. v.) by the Treasury Department. Its composition is 75 per cent. copper (57.87 grains) and 25 per cent. nickel (19.29 grains), or total weight of 77.16 grains. Under the Joint Resolution of Congress of June 5, 1933, all coins and currencies of the United States heretofore or hereafter coined or issued, shall be legal tender for all debts, public and private, public charges, taxes, duties, and dues.

NICK-NAMES OF STOCKS

Many of the leading stocks have nick-names by which they are popularly known in Wall Street. In some cases nick-names have been derived from the ticker abbreviation. For instance, Missouri Pacific is known as "Mop" (abbreviation MP), and People's Gas Light & Coke Company as "Post Office" (abbreviation PO). The following are nick-names, or alternate names, given to some of the American railroads:

Atchison, Topeka & Santa Fe... Santa Fe or Atchison
Atlantic Coast Line ..... Coast Line
Baltimore & Ohio ..... B & O
Canadian National ..... C N R
Canadian Pacific ..... C P R
Central Railroad of New Jersey ..... Jersey Central
Chesapeake Western..... Trans-Virginia route
Chicago & Eastern Illinois ..... Connecting Link
Chicago & North Western ..... North Western
Chicago, Burlington & Quincy ..... Burlington, or "Q"
Chicago, Great Western
Corn Belt Route, or Great Western
Chicago, Indianapolis & Louisville ..... Monon
Chicago, Lake Shore & South Bend .... South Shore Line
Chicago, Milwaukee & St. Paul .. St. Paul, or Milwaukee
Chicago, North Shore & Milwaukee .... North Shore Line
Chicago, Rock Island & Pacific..... Rock Island
Chicago, St. Paul, Minneapolis & Omaha ..... Omaha
Cincinnati, New Orleans & Texas .....Queen & Crescent

Cleveland, Cincinnati, Chicago & St. Louis .... Big Four
Delaware, Lackawanna & Western
Road of Anthractire, or Lackawanna
Detroit, Toledo & Ironton ..... Henry Ford's road
Dominion Atlantic Railway ..... Land of Evangeline route
Elgin, Joliet & Eastern ..... Chicago Outer Belt Line
Florida East Coast.....Flagler system
Fort Dodge, Des Moines & Southern
Fort Dodge Line
Great Northern ..... Hill's road
Hudson & Manhattan
Hudson River Tunnels, the Tube
Kansas City, Mexico & Orient ..... Orient
Kansas City Southern ..... Port Arthur route
Lackawanna & Wyoming Valley ..... Laurel line
Lehigh Valley ..... Black Diamond route
Long Island ..... Sunshine route
Louisiana & Arkansas ..... Natchez route
Louisville & Nashville ..... Ellen N
Louisville, Henderson & St. Louis .... Henderson route
Manitou & Pike's Peak ..... Cog Wheel route
Michigan Central ..... Niagara Falls route
Midland Valley ..... Arkansas River route
Minneapolis & St. Louis ..... Peoria Gateway line
Minneapolis, Northfield & Southern ...Minneapolis belt
Minneapolis, St. Paul & Saulte Ste.....Marie Soo line
Missouri-Kansas-Texas ..... Katy
Missouri Pacific ..... Iron Mountain, or Mop
New Orleans, Texas & Mexico ..... Gulf Coast line
New York Central.....Central
New York, Chicago & St. Louis ...Nickel Plate, or N K P
New York, New Haven & Hartford ..... New Haven
New York, Ontario & Western ..... O & W or "Old Woman"
Northern Pacific ..... Nipper
Pennsylvania ..... Pennsy
Pittsburgh, Cincinnati, Chicago & St. Louis....Panhandle
Pittsburgh, Shawmut & Northern ..... Shawmut route
Pittsburgh & Lake Erie ..... Little Giant
Pittsburgh, McKeesport & Youghiogheny .... P Mickey
Richmond, Fredericksburg & Potomac
Richmond-Washington line or R F & P
St. Louis-San Francisco ..... Frisco
St. Louis Southwestern ..... Cotton Belt route
Seaboard Air Line ..... Seaboard line
Southern Pacific Company ..... Sunset route or S P
Southern Pacific Railroad of Mexico...West Coast route
Tennessee Central ..... Nashville route
Union Pacific ..... Overland route, or U P
Western Pacific ..... Feather River route or Wespac

NO ACCOUNT

When a check is presented for collection through the clearing house, for which the drawer as indicated, has no account on the books of the drawee bank, the latter returns it to the presenting bank for credit, with the memorandum entitled, 'No Account' attached. (See Irregularities.)

NO FUNDS

When a check is presented for collection through the clearing house, for which the drawer as indicated, has no funds to the credit of his account with the drawee bank, the latter returns it to the presenting bank, for credit, with the memorandum entitled, 'No Funds' attached. (See Irregularities.)

NO MINIMUM BALANCE CHECKING ACCOUNTS

As the result of adoption by many banks of service charges and requirement for minimum free balances in checking accounts, the "no minimum balance" type of checking services, also known as "pay-as-you-go" checking services, such as the "Check Master" plan, have been developed in recent years to appeal to marginal bank prospects for checking service.

As indicated by the title, a basic appeal of such plans is the absence of any requirement for minimum balances in the account. Instead, there is a flat charge per check drawn, and the depositor is merely required to have sufficient funds on deposit to cover checks issued. (See Minimum Free Balance.)

NO PAR VALUE STOCK

Stock that has no designated par value. New York State was the first State to authorize no par value stock, one of the motives being to prevent fraud in the sale of $100 par value stock under the misrepresentation to the uninformed that such par value meant actual asset value.

Under Sec. 13 of the New York Stock Corporation Law, the capital of any corporation authorized to issue shares without par value shall be deemed to be an amount computed in accordance with the statements respecting its capital contained in the certificate of incorporation. Sec. 12 of the New York Stock Corporation Law requires the certificate of incorporation to state the number of shares which are to be without par value and in addition, either one of the following statements:

(1) "The capital of the corporation shall be at least equal to the sum of the aggregate par value of all issued shares having par value, plus .....dollars (the blank space being filled in with some number representing $1 or more) in respect to every issued share without par value, plus such amounts as, from time to time, by resolution of the board of directors, may be transferred thereto;" or

(2) "The capital of the corporation shall be at least equal to the sum of the aggregate par value of all issued shares having par value, plus the aggregate amount of consideration received by the corporation for the issuance of shares without par value, plus such amounts as, from time to time, by resolution of the board of directors, may be transferred thereto."

A corporation may issue and sell its authorized shares without par value from time to time on the following basis: (1) for such consideration as may be prescribed in the certificate of incorporation; (2) for such consideration as shall be the fair market value of such shares, and in the absence of fraud in the transaction, the judgment of the board of directors as to such value shall be conclusive; (3) for such consideration as from time to time may be fixed by the board of directors pursuant to the certificate of incorporation, in the absence of fraud in the transaction; or (4) for such consideration as shall be consented to or approved by the holders of a majority of the shares entitled to vote at a meeting called pursuant to the by-laws and on notice as to such purpose. Any and all shares so issued shall be deemed fully paid and non-assessable, and the holder of such no par value shares shall not be liable to the corporation or to its creditors in respect thereto.

For stock transfer tax purposes, no par value stock is considered the same as $100 par value. Transfer

taxes are imposed by the Federal Government and by New York, Pennsylvania and Massachusetts.

(See Without Par Value.)

NO PROTEST

It is customary banking practice to protest all checks over $10 in amount when payment is refused unless instructions are given to the contrary. Most checks and some drafts and notes are accompanied by the instructions "No Protest" when sent or deposited for collection. When this is desired it is the usual practice to attach a "No Protest" ticket to the item in order to indicate to the collecting bank or agent that it is not to be protested for non-payment.

The reason for not protesting checks or other items of $10 or less, is that the expenses of protesting are not warranted, where the amount involved is so small. Messengers assigned to collecting items carrying "No Protest" instructions should remove or erase them before presentation is made, in order to circumvent the possibility of non-payment. If the drawee is informed in advance of payment that an item drawn on him is not to be protested, he might take advantage of the knowledge, and for technical reasons refuse payment.

Where any negotiable instrument has been dishonored, it may be protested for non-acceptance or non-payment, as the case may be, but protest is not required under the Negotiable Instruments Law except in the case of foreign (out-of-state) bills of exchange. (See Dishonor, Notarial Protest Certificate, Protest.)

NO PROTEST TICKET

See No Protest.

NOIL

Short-fibered wool. (See Wool.)

NOMINAL ASSETS

Assets of doubtful, indeterminable, or of undetermined value, e. g., accounts and notes receivable, judgments, other claims, securities, obsolete items of machinery and equipment, etc. If carried on the books at all, these nominal assets should be carried at a nominal value, e. g., $1.

The term is also sometimes applied to the Intangibles (q. v.), such as goodwill, patents, trademarks, etc.

NOMINAL CAPITAL

The capital of a corporation as determined by the par value of its total outstanding shares, as distinguished from the actual value of its net assets. The first is fixed by the certificate of incorporation; the second, as stated above.

In the case of no par value stock issued by any stock corporation, other than a moneyed corporation, Sec. 12 of the New York Stock Corporation Law requires the certificate of incorporation to contain the following statements:

1. The total number of shares that may be issued by the corporation.
2. The number of shares, if any, which are to have a par value and the par value of each.
3. The number of shares which are to be without par value, and
4. Either one of the following statements:

A. "The capital of the corporation shall be at least equal to the sum of the aggregate par value of all issued shares having par value, plus .....dollars (the blank space being filled in with some number representing $1 or more) in respect to every issued share without par value, plus such amounts as, from time to time, by resolution of the board of directors, may be transferred thereto;" or

B. "The capital of the corporation shall be at least equal to the sum of the aggregate par value of all issued shares having par value, plus the aggregate amount of consideration received by the corporation for the issuance of shares without par value, plus such amounts as, from time to time, by resolution of the board of directors, may be transferred thereto."

NOMINAL EXCHANGE

The rate of exchange based upon the market value of the Monetary Unit (q. v.) of the two trading countries, instead of the rate based upon the supply and demand of bills of exchange, i. e., market rate. While nominal exchange is synonymous with the Mint Par of Exchange (q. v.) whenever the trading countries are on a gold basis—a free gold market being maintained between them—it differs whenever the standard unit between the two nations is a different metal (due to uneven market fluctuations), when the gold standard is suspended, or when gold is displaced by paper money. (See Gold Basis, Commercial Parities.)

NOMINAL PRICE

A price which is not a "firm" offer to buy or sell, but is quoted merely for information or to give an indication of what the "firm" price might be. (See Nominal Quotation.)

NOMINAL QUOTATION

A price quoted for a security which is not based upon an actual or "firm" bid or offering, but indicative of the possible price, based on last sale or firm quotation, obtainable through a "work-out" on a definite order or otherwise. (See Bid and Asked Quotations.)

NOMINAL RATES

See Posted Rates.

NOMINAL VALUE

Applied to securities this term means par or face value; or market value existing in name only or so low as to be an arbitrary value. Applied to coins, it means statutory or denomination value, as distinguished from metal or bullion value.

NON-ASSENTED SECURITIES

Securities, the owners of which have not consented to some proposed change in their status. (See Assented Securities.)

NON-ASSESSABLE STOCK

Stock, the owners of which cannot be legally called upon for additional payments in case of insolvency or otherwise. Such limited liability is one of the basic advantages of the corporate form of business organization. Stocks are non-assessable if they are fully paid when

issued. Stock not fully paid subjects the holder to personal liability to creditors of the corporation, in an amount equal to the amount unpaid on such stock, for debts of the corporation contracted while such stock was held by the holder. "Double liability", or liability to assessment up to full par value of stock in addition to losing original investment, was formerly characteristic of bank stocks, but such double liability on bank stocks has been generally eliminated, following the lead of the Banking Act of 1935. Assessment liability to restore impairment of capital or to fully pay up capital stock continues for National bank stock under Sec. 5205 of the Revised Statutes. (See Double Liability.)

NON-BROKERS' LOANS

The weekly condition statement of the Weekly Reporting Member Banks in Central Reserve Cities and of the Weekly Reporting Member Banks in Leading Cities shows the following classification of loans:

1. Commercial, industrial and agricultural.
2. For purchasing or carrying securities:
   a. To brokers and dealers.
      (1) U. S. Government obligations.
   b. To others.
      (1) U. S. Government obligations.
      (2) Other securities.
3. Real estate loans.
4. Loans to banks.
5. Other loans.

Loans for purchasing or carrying securities "to others", therefore, indicate the volume of non-brokers' security loans. It is generally assumed that individuals, partnerships or corporations who borrow directly from their banks to finance security purchases tend to be more conservative and are of greater financial responsibility and more experienced than the average margin customer of brokers. Consequently, the trend in volume of such loans should reflect the market judgment and activities of the most astute and resourceful investors and speculators.

Loans by banks for the purpose of purchasing or carrying stocks registered on a national securities exchange are subject to regulation by Regulation U of the Board of Governors of the Federal Reserve System, which in turn was issued pursuant to Sec. 7 of the Securities Exchange Act of 1934. (See Security Loans.)

NON-CALLABLE BONDS

Bonds which by their terms cannot be retired before their obligatory maturity; bonds which have no provision for Prior Redemption (q. v.); bonds which have no optional maturity date. (See Callable Bonds.)

NON-CLEARING HOUSE STOCKS

Stocks not designated by the New York Stock Clearing Corporation to be cleared through that institution because of their inactivity. (See New York Stock Exchange Clearing House.)

NON-CONTINGENT PREFERENCE STOCK

An English title for what corresponds to cumulative preferred stock in this country.

NON-CUMULATIVE DIVIDENDS

Dividends on non-cumulative preferred stock; dividends, which if not paid at the regular fixed dividend period because earnings are not sufficient, are not in arrears, and there is no obligation on the part of the corporation to pay them at any subsequent period before dividends may be paid on the common stock. For example, if a corporation cannot pay the dividends upon its 5 per cent. non-cumulative preferred stock in 1948, the stockholders lose their right to claim these dividends forever; or, if dividends are paid at 4 per cent., the remainder is lost for all time. Non-cumulative dividends, of course, are the reverse of Cumulative Dividends (q.v.).

Unless otherwise stated, all stock is non-cumulative. If the stock of a corporation is all of one class, however, nothing is to be gained by inserting the word non-cumulative, since dividends by their very nature are contingent upon earnings rather than fixed. Interest upon income bonds may be cumulative or non-cumulative. As the result of reorganizations in recent years, particularly in the railroad industry, limited cumulative features have been attached to new preferred stocks or income bonds; e. g., cumulative up to a stated amount, say 15% and non-cumulative beyond that point.

NON-MEMBER BANKS

Banks not members of the Federal Reserve System. The term is also sometimes used to distinguish banks which are not members of a Clearing House Association.

NON-NEGOTIABLE

See Negotiable Instruments, Non-Negotiable Instruments.

NON-NEGOTIABLE INSTRUMENTS

In the hands of any holder other than a Holder in Due Course (q. v.), a negotiable instrument is subject to all defenses as if it were non-negotiable. Title to non-negotiable instruments, therefore, passes by assignment, the assignee "standing in the shoes" of the assignor as far as validity of title and rights are concerned. Any instrument which lacks any one of the requirements of negotiability, as specified in Sec. 1, Uniform Negotiable Instruments Law (Sec. 20, New York Negotiable Instruments Law), is non-negotiable, and superior rights will not be vested in the transferee or assignee by operation of the "law merchant", the Negotiable Instruments Law. This does not mean that non-negotiable instruments are any less valuable than negotiable instruments, although for negotiation in the open market, negotiability is essential. Bills of lading, even though order bills, are not negotiable instruments under the Negotiable Instruments Law, because they are not instruments for the payment of money. Stock certificates, even though endorsed in blank and passing therefore by delivery, are also not negotiable instruments. On the other hand, checks, bills, notes and bonds, even though instruments calling for the payment of a "sum certain in money", may be made non-negotiable by failure to have the other requirements of negotiability. (See Negotiable Instruments.)

NON-NEGOTIABLE PAPER

See Negotiable Paper.

NON-PARTICIPATING PREFERRED STOCK

See Preferred Stock.

NON-PAYMENT

See Notarial Protest Certificates, Protest.

NON-STOCK MONEYED CORPORATION

Under the New York General Corporation Law, a moneyed corporation is a corporation formed under or subject to the banking law or the insurance law. The term "non-stock corporation" includes every corporation other than a stock corporation or a public corporation. Thus, the term Non-Stock Moneyed Corporations refers to savings banks (no stock savings banks in New York, mutualized insurance companies, credit unions, and other banking institutions organized without capital stock, being owned by the depositors or borrowers.

NON-TAXABLE SECURITIES

See Tax Exempt Securities.

NON-VALIDATING STAMP

Banks which collect domestic drafts with bills of lading, warehouse receipts, or other documents attached, usually place a non-validating stamp on the back of all accompanying drafts. The purpose of this practice is to protect the bank against liability, or being any way responsible for the character of the goods designated in the bill of lading or other instrument, accompanying the draft. The indorsement reads as follows:

"This bank hereby notifies all concerned that it makes no representation or guaranty, and assumes no responsibility as to the genuineness, regularity or validity of bills of lading and/or other documents attached to this draft, nor as to the character, quantity, quality or condition of merchandise mentioned in said bills of lading and/or other documents, nor as to any contract made by the endorser of this draft, or by consignor."

NORMAL CROPS

See Crop Reports.

NORMAL GROWTH

See Secular Trend.

NORTHERN NEW JERSEY CLEARING HOUSE ASSOCIATION

One of the largest clearing house associations in New Jersey, embracing Jersey City, Bayonne, Hoboken, Weehawken, Union City and West New York.

Other Clearing House cities in New Jersey are:

Atlantic City
Elizabeth (including Linden, Roselle and Union)
Montclair
Newark (including Irvington, Nutley, Verona and Maplewood)
Orange (including East Orange, South Orange and West Orange)
Passaic (including Clifton and Garfield)
Paterson (including Haledon and Prospect Park)
Phillipsburg (including Easton, Pennsylvania)
Trenton

NOSTRO ACCOUNTS

A term used among foreign exchange bookkeepers. A bank or other institution in this country having balances deposited with correspondent banks in foreign countries, refers to such accounts as "Nostro Accounts" meaning "our accounts." Nostro accounts are kept in foreign currencies, i. e., the Money of Account (q. v.) of the country in which the funds are kept, with the equivalent dollar value noted in an adjacent column. (See Vostro Accounts.)

NOT A DELIVERY

See Good Delivery.

NOT SUBJECT TO CALL

A term used in connection with a bond or note which cannot be retired prior to the compulsory maturity. Such bonds or notes are usually designated non-callable. (See Callable Bonds, Non-Callable Bonds.)

NOT SUFFICIFNT FUNDS

See Insufficient Funds

NOTARIAL PROTEST CERTIFICATE

When a check, draft, or bill of exchange is dishonored, i. e., payment or acceptance is refused, the holder should have it protested before a notary public. The notary public again presents it to the drawee, and if payment is still refused a notarial protest certificate is prepared, together with a separate notice of protest to each of the indorsers. The notarial protest certificate is legal evidence of presentation and refusal to pay by the drawee or maker, and is a legal measure for the purpose of holding the indorsers liable on account of the item dishonored for payment by the maker. Such a certificate is legal evidence of presentation and refusal to pay, even in the case of an inland bill, for which protest is not required, it is preferable to do so because of the prima facie evidentiary value a notarial certificate has in an action at law. The following is the form of a Notarial Protest Certificate (see No Protest):

UNITED STATES OF AMERICA
STATE OF NEW YORK SS:
COUNTY OF NEW YORK

On the ..... day of ..... in the year ....., at the request of the ..... Bank, of the City of New York, I, the subscriber, a Notary Public of the State of New York, duly commissioned and sworn, did present the original Check, Note, Draft or Bill of Exchange hereto annexed to (name of drawee or maker), in the City of New York, (being the place where the said Check, Note, Draft or Bill of Exchange is payable) and demanded payment thereof, which was refused (reason for non-payment).

Whereupon, I, the said Notary, at the request aforesaid, did Protest, and by these presents do publicly and solemnly Protest, as well against the Drawers and Indorsers of said Check, Note, Draft or Bill of Exchange, as against all others whom it doth or may concern, for exchange, re-exchange and all costs, damages and interest already incurred, and to be hereafter incurred for want of payment of said Check, Note, Draft or Bill of Exchange.

In testimony whereof, I have hereunto set my hand and affixed my seal at the City of New York, aforesaid.

.....
Notary Public
For New York County

(Seal)

Indorsement on Notarial Protest Certificate.

Please give notice of the within protest to all parties to the annexed ..... as soon as you receive this.

(Notice to each party to the item)

Date

Please take notice that a (check, draft, note, or bill of exchange) made by .....
for $.....
dated .....
payable .....
made) by you is protested for non-payment and
endorsed)
that the holders look to you for the payment thereof.

Your obedient servant,

.....
Notary Public

To .....

NOTARY PUBLIC

A person commissioned by a state and authorized to administer oaths, to take acknowledgments and depositions, and to protest negotiable instruments for non-payment or non-acceptance. The legal advantages of an instrument sworn to before a notary are: (1) admission into court as prima facie evidence of execution; (2) admissibility as a court record.

A notary has authority (1) to administer oaths in all matters connected with the exercise of his office; (2) to take the acknowledgment or proof of instruments in writing relating to commerce or navigation, and to certify the same under his seal; (3) to demand acceptance and payment of bills of exchange, promissory notes and other commercial paper and to protest them for non-acceptance or non-payment.

NOTE

A promise to pay as distinguished from an order to pay, such as a draft or check. Formally defined, a note is a written promise of the maker to pay a certain sum of money to the person named as payee, on demand or at a fixed or determinable future date. The Board of Governors of the Federal Reserve System has defined a promissory note "as an unconditional promise, in writing, signed by the maker, to pay, in the United States, at a fixed or determinable future time, a sum certain in dollars to order or to bearer."

Consideration is always deemed prima facie to exist in the case of negotiable instruments, and lack of consideration as between the original parties is not a defense against the Holder in Due Course (q.v.). Notes may be issued by individuals, partnerships, corporations, institutions, and Governments. National bank notes, Federal Reserve notes, Federal Reserve bank notes, and United States notes, are monetary forms of promises to pay on demand without interest, and furnish a part of the circulating monetary medium. (National bank notes and Federal Reserve bank notes are now in process of retirement). A note may be drawn without interest, but if drawn with interest with the rate omitted, the maximum legal rate of the state in which it is made, is presumed.

One of the essential characteristics of notes is that they are ordinarily negotiable, i. e., superior rights may be vested in the Holder in Due Course. Negotiation is achieved either (1) by delivery, i. e., handing it from one person to another when the note is made payable "to bearer" or where the indorsement is "in blank", or (2) by indorsement and delivery when it is made payable "to order". A note will be non-negotiable if the words of negotiability, "bearer" or "order", are omitted from its face.

Notes should be presented for payment at the place named. If no place is indicated, presentment should be made at the maker's usual place of business or residence during business hours. The note should be presented on the due date in order to hold the indorsers (if any) liable, and in case of refusal to pay, protest should be made. The liability of the maker is in no wise voided by postponement of presentation beyond the due date, and the note may be protested for non-payment even if past due. Where a bill or note is lost or destroyed or is wrongly detained from the person entitled to hold it, protest may be made on a copy or written particulars thereof, so that loss of a note will not affect the rights and liabilities of the parties.

Formerly three Days of Grace (q. v.) were allowed to persons obligated to pay notes, i. e., three days beyond the indicated maturity date. Under the Negotiable Instruments Law (q. v.) this practice has been abolished so that an instrument matures on the date which it fixes.

Classified by method of determining maturity, notes are of two forms, payable upon a specified date, or at a certain number of days after date. The first is known as a "fixed date" and the second as a "days after date" note. The first reads: "On July 1, 1948, I (We) promise to pay", etc., while the second reads: "Sixty days after date, I (We) promise to pay," etc. In the second case the note must be "timed" in order to determine the maturity date, and in so timing, the exact number of days must be counted. For example, if a note is dated July 20, and runs for 60 days, it becomes due on September 18. If that date happens to be a Sunday or holiday, then the note is due on the next business day.

Banks frequently furnish customers blank forms for notes, and usually insist upon their own forms to evidence loans extended to their borrowers. The following is a form of a promissory note without collateral where the payee is a bank:

$..... New York,.....19...

.....months (days) after date for value received I (we) promise to pay to the ..... Bank, or order, the sum of .....Dollars, with interest at .....per centum per annum.

It is further agreed that if the undersigned shall become insolvent or make a general assignment for the benefit of creditors, or file a voluntary petition in bankruptcy, or if a petition in bankruptcy shall be filed against the undersigned, or a receiver shall be appointed over the property or assets, or any thereof, of the undersigned, then this note and all other present or future demands of any and all kind against the undersigned, whether created directly or acquired by assignment, whether absolute or contingent, shall forthwith be due.

Payable at the .....Bank.

No. ..... Due .....

.....
(Name of maker)

A collateral note ordinarily has the same form as the regular promissory note (above illustrated), together

with the following or its equivalent.

The undersigned has deposited with said bank as collateral security for the payment of this and any and every liability or liabilities of the undersigned to the said bank direct or contingent, due or to become due, or which may hereafter be contracted or existing, the following property (here the specific collateral is described), together with all other securities in the possession of said bank belonging to the undersigned or in which the undersigned has an interest; hereby agreeing to deliver to said bank additional securities to its satisfaction, upon demand of said bank, also hereby giving to said bank a lien for the amount of all said liabilities of the undersigned to said bank upon all property or securities which now are or may hereafter be pledged as collateral with said bank by the undersigned, or in the possession of said bank in which the undersigned has an interest, and, also upon any balance of the deposit account of the undersigned with said bank. On the non-performance of this promise, or upon the non-payment of any liabilities above mentioned, or upon the failure of the undersigned forthwith to furnish satisfactory additional securities on demand, at the option of said bank, this obligation shall become immediately due and payable, and then and in every such case full power and authority are hereby given to said bank to sell, assign and deliver the whole of said securities or any part thereof or any substitutes therefor or any additions thereto through any stock exchange or broker or at private sale, without either advertisement or notice, the same being hereby expressly waived or said bank itself may purchase the same or any part thereof free from any right of redemption on the part of the undersigned, which is hereby expressly waived and released. In case of sale for any cause, after deducting all costs and expenses of every kind, said bank may apply the residue of the proceeds of such sale, as it shall deem proper, toward the payment of any one or more or all of the liabilities of the undersigned to said bank, whether due or not due, returning the overplus if any, to the undersigned, who agree to be and remain liable to said bank for any and every deficiency after application as aforesaid, upon this and all other of said liabilities; the undersigned hereby authorizing the transfer or assignment of said securities and property to the purchaser thereof.

And I hereby authorize any attorney-at-law to appear in any court of record in the United States, after the above obligation becomes due and waive the issuing and service of process and confess a judgment against me in favor of the .....Bank of ....., or any holder of this note, for the amount then appearing due together with the costs of suit, and thereupon to release all errors and waive all right of appeal and stay of execution.

The term note also is sometimes applied to short-term bonds whether corporate or civil issues, and especially if unsecured, e. g., United States Treasury Notes. (See General Loan and Collateral Agreement, Joint Note, Joint and Several Note, Negotiable Instruments, Negotiable Instruments Law, National Bank Note.)

NOTE BROKERS

Dealers, or commercial paper houses, whose business it is to act as middlemen between the issuers of commercial paper and banks, insurance companies, and private investors, who constitute the market on the demand side. Note brokerage firms are usually partnerships having ample capital resources, capital and valuable bank connections, to enable them to secure an adequate supply of funds to finance their transactions. Commercial paper borrowing is a means of raising funds temporarily for financing seasonal inventory requirements. Note brokers derive their profit by buying notes from the makers at one rate of interest and selling them at another, although some of the business may be done on the basis of a small commission which is charged the borrower.

The paper marketed by note brokers is varied in character, and includes single name paper, double name trade paper, collateral notes and trade and bank acceptances. Much of the paper dealt in by note brokers is single name paper of well-known commercial houses.

A large portion of the paper is sold upon a ten days' option to give the proposed buyer an opportunity to investigate the standing of the maker. At the end of the option period it may be retained or returned. Note brokerage is a specialized machinery for facilitating commercial borrowing by prime credit risks in the open market. (See Commercial Paper.)

NOTE LIABILITY

The liability of a National bank for its outstanding circulating notes; also the liability of a Federal Reserve bank for its combined Federal Reserve notes and Federal Reserve bank notes.

Both Federal Reserve Bank Notes (q. v.(and National Bank Notes (q. v.) are now in process of complete retirement.

NOTE TELLER

Among small banks, an employee sometimes also known as the third teller, who supervises the collection of notes and drafts at maturity and such demand items (checks and drafts) and special collection items, as are not drawn on members of the clearing house association and which must be collected by messenger.

Among larger banks, the note teller's department is usually a miscellaneous department of the bank, since it not only supervises the collection of non-clearing house checks, but disposes of miscellaneous types of transactions not important enough to be departmentized.

NOTE TICKLER

See Tickler.

NOTES PAYABLE

Aggregate of notes, acceptances, etc., held by others representing sums of money to be paid at a future time, and constituting a liability of a business. From an accounting point of view, the aggregate of notes contracted to be paid, also known as Bills Payable, and due to others.

NOTES RECEIVABLE

Aggregate of notes held against others and constituting one of the assets of a business. From an accounting point of view, a controlling account in the general ledger, also known as Bills Receivable, to indicate the total of notes, drafts, and acceptances due from trade customers.

NOTICE OF DISHONOR

See Dishonor, Notarial Protest Certificate.

NOTICE OF INTENTION

In the organization of a National bank, the first step is the informal application to organize, sent to the Comptroller of the Currency and stating: (1) the title of the proposed National bank; (2) request to reserve such title until the formal application to organize is submitted; (3) location and proposed capital of the proposed bank. If the proposed title is satisfactory, the Comptroller will normally reserve the title for 15 days, and forward upon request the formal application for charter, stating the intention to organize the National bank, and in addition: (1) title, location, capital and surplus; (2) whether it will succeed some existing bank; (3) whether a banking house will be purchased or built; (4) amount to be invested in banking house and fixtures, or if banking quarters are to be leased, amount of rental; (5) certification that no fees or commissions are being paid for obtaining subscriptions or selling stock in the bank; (6) signatures of at least 5 applicants who are prospective stockholders and preferably also officers or directors, together with their residences, business, financial strength in figures, amount of shares subscribed, and other banks with which the applicants have served as officers or directors; (7) indorsement of the application by three prominent public officials of the place where the bank is to be located.

In most states, incorporators desiring to organize a state bank must sign a Notice of Intention to organize, setting forth their names, title of the proposed corporation, amount of its capital stock, and location. This notice is filed with the state banking department, and a copy must be published in a newspaper in the city of intended location for a certain period in advance of obtaining the charter. Other banks in the location must also be served with a copy of such intention. The foregoing is the practice in New York State.

NOTICE OF PROTEST

See Notarial Protest Certificate.

NUCLEAR FISSION

Aside from development for military uses, for which World War II will always be remembered, whether atomic energy released through nuclear fission can be harnessed into important industrial applications still remains a matter of considerable further development and research as of 1948, two years after organization of the U. S. Atomic Energy Commission under the Atomic Energy Act, passed August 1, 1946.

The Atomic Energy Commission is charged with the responsibility for the control of all source materials of nuclear fission. According to latest reports from the Commission, large scale production of power for industrial and community use is a major long term objective, but will require a number of basic advances in physics, chemistry and metallurgy before such power can be produced at satisfactory efficiency and cost. At the present time, the principal peacetime applications are various kinds of radio-isotopes for research in chemistry, biology and medicine.

NUMERICAL TRANSIT SYSTEM

A system of abbreviations, devised by the clearing house section of the American Bankers Association, for the purpose of simplifying transit work, i. e., to aid in the collection, identification, and tracing of checks, drafts, and notes, forwarded to out-of-town points for collection and credit. The purpose of the system is to save time and labor. Previous to the adoption of this system it was necessary to identify each check (or other item) listed on outgoing transit letters by writing thereon the name and location of the drawee bank. Under the numerical transit system numbers replace names. Every bank in the United States has a distinctive number, made up of two parts: (1) a prefix which designates the city or state in which the bank is located, and (2) a second figure which designates the individual bank. Thus the transit number 1 - 8 indicates the National City Bank of New York; 2 - 3 the Continental and Commercial National Bank of Chicago; 50 - 17 the Lincoln-Rochester Trust Company of Rochester, New York; 53 - 137 the Holyoke National Bank of Holyoke, Massachusetts; and 56 - 8 the Toledo Trust Company of Toledo, Ohio.

Numbers from one to forty-nine, inclusive, are used to designate central reserve and reserve cities, each city being given a distinctive number to be used as a prefix in its numerical title. The clearing house numbers in each of these cities are used as the second figure of the transit number for each of the clearing house members of such cities, and additional numbers are provided for banks not clearing house members. Numbers from fifty to ninety-nine, inclusive, are used to designate states. State numbers are used as a prefix for numbering banks which are located outside the forty-nine cities already provided for. In numbering the reserve cities, Brooklyn was included with New York City; Kansas City, Kans., with Kansas City, Mo., and South Omaha with Omaha. Since there were fifty reserve cities three numbers were left unused, which were given to Buffalo and Memphis, and Alaska, Hawaii and Puerto Rico.

The numbers of the different cities and states are as follows:

CITIES

1	New York, N. Y.
2	Chicago, Ill.
3	Philadelphia, Pa.
4	St. Louis, Mo.
5	Boston, Mass.
6	Cleveland, Ohio
7	Baltimore, Md.
8	Pittsburgh, Pa.
9	Detroit, Mich.
10	Buffalo, N. Y.
11	San Francisco, Calif.
12	Milwaukee, Wis.
13	Cincinnati, Ohio
14	New Orleans, La.
15	Washington, D. C.
16	Los Angeles, Calif.
17	Minneapolis, Minn.
18	Kansas City, Mo.
19	Seattle, Wash.
20	Indianapolis, Ind.
21	Louisville, Ky.
22	St. Paul, Minn.
23	Denver, Colo.

24 Portland, Ore.
25 Columbus, Ohio
26 Memphis, Tenn.
27 Omaha, Neb.
28 Spokane, Wash.
29 Albany, N. Y.
30 San Antonio, Texas
31 Salt Lake City, Utah
32 Dallas, Tex.
33 Des Moines, Ia.
34 Tacoma, Wash.
35 Houston, Tex.
36 St. Joseph, Mo.
37 Ft. Worth, Texas
38 Savannah, Ga.
39 Oklahoma City, Okla.
40 Wichita, Kansas
41 Sioux City, Iowa
42 Pueblo, Colo.
43 Lincoln, Neb.
44 Topeka, Kansas
45 Dubuque, Iowa
46 Galveston, Texas
47 Cedar Rapids, Iowa
48 Waco, Texas
49 Muskogee, Okla.

STATES and TERRITORIES

50 New York
51 Connecticut
52 Maine
53 Massachusetts
54 New Hampshire
55 New Jersey
56 Ohio
57 Rhode Island
58 Vermont
59 Alaska, Hawaii and Puerto Rico
60 Pennsylvania
61 Alabama
62 Delaware
63 Florida
64 Georgia
65 Maryland
66 N. Carolina
67 S. Carolina
68 Virginia
69 W. Virginia
70 Illinois
71 Indiana
72 Iowa
73 Kentucky
74 Michigan
75 Minnesota
76 Nebraska
77 N. Dakota
78 S. Dakota
79 Wisconsin
80 Missouri
81 Arkansas
82 Colorado
83 Kansas
84 Louisiana
85 Mississippi
86 Oklahoma
87 Tenessee
88 Texas
89 . . . . .
90 California
91 Arizona
92 Idaho
93 Montana
94 Nevada
95 New Mexico
96 Oregon
97 Utah
98 Washington
99 Wyoming

For further details see "Key to the Numerical System of the American Bankers Association", Rand-McNally Bankers' Directory. (See Transit Department.)

NUMISMATICS

The science which treats of coins and medals, especially rare and old coins of all nations.

NUNCUPATIVE WILL

An oral will, i. e., verbally declared within the hearing of at least two disinterested witnesses under the Model Execution of Wills Act. The various States, however, vary widely in provision for nuncupative wills, with 5 States having no authority at all for such wills, and 13 other States restricting nuncupative wills to soldiers and sailors. (See Will.)

OATS

Normally, futures trading in oats is third most active among the grains, next to wheat and corn. Futures trading in oats is conducted principally on the Chicago Board of Trade, Minneapolis Grain Exchange, and the Kansas City Board of Trade, particularly on the first two exchanges. These exchanges are designated as Regulated Commodity Exchanges by the Commodity Exchange Administration.

Contract unit on these exchanges is 5,000 bushels, minimum fluctuation being 1/8¢ as one "point", or $6.25 per contract. Daily trading limit is 6¢ above or below previous close, the maximum range being 12¢. Non-member commission rates to buy or sell one contract are $15 on the Chicago Board of Trade and $12.50 on the Minneapolis Grain Exchange and Kansas City Board of Trade. Job lots are 2,000 bushels on the Chicago Board of Trade, on which the non-member commission rate is $3 per 1,000 bushels when the order is received in Chicago, and $4 per 1,000 bushels when received from outside Chicago; and 1,000 bushels on the Minneapolis Grain Exchange and Kansas City Board of Trade, on which the non-member commission is $3.50.

(See Grain Exchanges.)

OATS PIT

See Pit.

OBLIGATION

A general term for all classes of indebtedness, the fundamental idea being that the debtor is bound to pay and that the creditor has legal power to compel payment. Frequently, when one business is absorbed by another, the latter is said to assume the former's obligations. Bonds are frequently referred to in this country as obligations. In France, the term obligation is the equivalent of our bond.

The Revised Statutes of the United States define obligations to mean "all bonds, certificates of indebtedness, national bank currency, coupons, United States notes, Treasury notes, gold certificates, silver certificates, fractional notes, certificates of deposit, bills, checks or drafts for money, drawn by or upon authorized officers of the United States, stamps and other representatives of value, of whatever denomination, which have been or may be issued under any Act of Congress."

A direct obligation is an obligation of the original maker of a loan contract. For instance, a note is a direct obligation of the maker and an indirect obligation of the indorser.

A general obligation is one in which the debtor's relation to the creditor is the same as a general creditor's relation to the debtor. In other words, a general obligation is an unsecured one, and subject to prior claims, e. g., preferential claims, (wages, taxes, mechanics' liens), and secured claims (mortgages, mortgage bonds and notes payable secured by a specific pledge of collateral). The term general obligation as applied to municipal bonds indicates those which are a lien upon the revenues of the entire issuing jurisdiction, and not merely upon a part of the jurisdiction or a part of its revenues.

OBLIGATOR

Same as Obligor (q. v.).

OBLIGATORY MATURITY

The absolute, final, or compulsory maturity of a note or bond, as distinguished from the optional maturity or prior redemption date. Bonds which by their terms may be retired at the option of the obligor before the obligatory maturity are known as callable, optional, or (less accurately) redeemable bonds.

OBLIGEE

A creditor; one who can enforce payment of a debt, e. g., a note or bond holder.

OBLIGOR

A debtor; a person, firm, or corporation which is bound to perform an obligation, such as payment of a note or bond. A corporation which has issued bonds is an obligor corporation. The United States Government is obligor in the case of United States Government bonds.

OBSOLETE SECURITIES

Bonds which have matured and have been retired and cancelled; stocks or bonds of abandoned, or defunct corporations, or which have temporarily suspended operations without actually dissolving.

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Marvyn Scudder: Manual of Extinct of Obsolete Companies:
Vol. I (1926); Vol. II (1928); Vol. III (1930); Vol. IV (1934, with index to Vols. I, II and III).

Robert D; Fisher: Manual of Extinct or Obsolete Companies:
Vol. V (1937); Vol. VI, (1938), cumulates in one alphabet the listings in Vol. V and 100,000 new entries); Vols. VII and VIII (1940-1941), entitled Robert D. Fisher Manual of Valuable and Worthless Securities; Vols. IX and X (1942.1944/45, Vol. X containing an index to the 1943 issue on valuable securities known separately as the Robert D. Fisher Manual of Valuable Securities and over 750 pages of reports on little known and obsolete companies).

Robert D. Fisher Mining Manual, Vols I and II (1940-1941).

Smythe, R. M.: Obsolete American Securities and Corporations (1904-1911, two vols.); Valuable Extinct Securities (1929); Valuable Extinct Securities Guide (1939).

OCEAN BILL OF LADING

All ocean bills of lading issued must be subject to the Carriage of Goods by Sea Act of 1936, which enacted into law the Hague Convention Rules of 1921, and must so provide in a "paramount clause." (See Bill of Lading.)

ODD LOT

A term used to designate a smaller unit of trading than the standard unit of trading, known as a board or full or round lot, which on the New York Stock Exchange for active stocks is 100 shares of stock. Any transaction involving from 1 to 99 shares is called an odd lot, or fractional or broken lot. Odd lot orders are executed through Odd Lot Dealers (q. v.), who specialize in making a market for odd lots.

Assuming a customer places a good until cancelled (G.T.C.) order to buy 50 shares of a stock (having a 100-share unit of trading) at 50, the stock must sell (not as reported on the ticker, but sale on the floor) in a round lot of 100 shares or more at 49 7/8, after the placing of the order in the hands of the broker on the floor acting for the odd lot dealer. A better price than the limit price of 50 fixed by the order can be obtained for the customer only if the next sale after the order is received by the odd lot dealer is below 49 7/8. Should the next sale price for a round lot be 49 1/2, the order will be executed at 49 5/8. However, should the stock sell in a round lot at 50; and the next sale of a round lot declines to 49 1/2, the odd lot order will still be executed at the order's price limit of 50. This is the so-called "trading through the limit" rule, which is designed to give the odd lot buyer an execution no better than what he would have had to pay had he bought a round lot at 50.

However, should the odd lot order fail to be executed during the day, and the stock opens the next morning below the price limit of 50, the order is executed 1/8 of a point above the opening price for a round lot.

Odd lot orders are regarded as a direct index of bona fide public investor buying or selling, and in recent years have accounted for 1/4th to 1/3rd of trading volume on the New York Stock Exchange.

ODD LOT DEALERS

The highly specialized business of providing a market at all times for odd lots of stocks on the New York Stock Exchange, which originated as far back as 1873, is largely in the hands today of three long-established odd lot dealers, firms which have developed the business over a long period of years. In addition, there are a few specialists who do some odd lot business in addition to handling round lots.

The odd lot dealers do not deal directly with the public, instead operating through their brokers on the floor of the Exchange, who receive the orders from commission houses taking odd lot orders from the public. On all odd lot stocks bought or sold to the odd lot dealers, the latter charge 1/8th of a point, which in turn is charged to the public by the commission houses. Federal tax is also charged on odd lots bought or sold, as well as State transfer tax on stocks sold. The commission houses also charge the regular Stock Exchange commission.

In order to provide a market in odd lots, the odd lot dealers themselves buy, sell or sell short round lots, in connection with building up or reducing inventories of stocks maintained for the odd lot market.

In November, 1938, the odd lot dealers inaugurated the "basis market" for execution of odd lot orders in stocks which do not trade during the day. "Basis orders" entered before two o'clock of the trading day in stocks for which there has been no sale during the session are executed at the close of the market at "basis prices", determined by the odd lot dealers based on closing bid and asked prices.

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ODD LOT TRADING

See Odd Lot, Odd Lot Brokers.

OFF

A stock market expression indicating lower prices; prices below yesterday's level. It also denotes "without," e. g., "dividend off" means "without dividend."

OFFER

This term has two meanings:

(1) A bid; a price named at which one is willing to buy.

(2) In stock exchange parlance, the term refers to the price at which one is willing to sell. Thus: "The stock is offered at 35; the best bid is 30."

OFFERED DOWN

An expression to indicate that sellers are offering a security (or commodity) for sale at a price lower than that of the last transaction or latest quotation.

OFFERED FIRM

The offer of a security (or commodity) at a specified price, the seller giving the prospective buyer a certain time for its acceptance. Thus, a bond may be offered firm at 95 and accrued interest, for three days. Offered firm differs from Offered Subject to Sale, or Offered Subject to Prior Sale, in that in the latter the offer is good only in case the securities are not previously sold to the other buyers. A dealer who offers securities subject to prior sale is not liable in case he refuses to sell to a party who bids for the offering after they have been sold elsewhere.

When one makes a bid at a definite price to hold good for a certain time, it is known as a firm bid.

OFFERING BOOK (LIST)

A book or list maintained by a dealer in bonds, stocks, commercial paper, etc., which contains a description of each security offered for sale, the price included. (See Offering Sheet.)

OFFERING SHEET

A list of commercial paper offered by a note broker. Large banks which offer participation loans to their bank customers also prepare offering sheets to show the names of loans in which they offer participations. In the investment business an offering sheet in pre-SEC days differed from a bond circular in that the former contained a brief description of a number of issues, whereas the latter contained a more formal description of a single issue. The offering sheet usually closed with a statement such as the following: "We offer for subscription, subject to prior sale or allotment (such of these bonds as may not be taken up by others through the exercise of rights) when, as and if issued, and received by us, and subject to the approval of counsel."

The offering sheet is still used today in the case of U. S. Government, municipal, railroad and other exempt securities, exempt from the Securities Act of 1933, but public offerings, of non-exempt securities under the Act must be accompanied by a prospectus. (See Syndicate, Underwriting, Bond Circular.)

OFFERINGS

A term to denote bonds, stocks, notes, commercial paper, etc., offered for sale to customers.

OFFICE PAPER

Another name for finance bills. (See Finance Bill.)

OFFICERS

Under Section 60 of the New York Stock Corporation Law, the directors of a stock corporation may appoint or elect from their own number a president. Under the New York rule, the president of the corporation has the implied power and the apparent authority to perform any act on behalf of the corporation that can be ratified by the board of directors. Directors must designate the powers of the officers in the by-laws, but any such express limitations are of no avail as to outside parties relying on the apparent authority of the president, unless such outside parties have actual knowledge of such limitations.

The directors may also under the New York statute appoint or elect one or more vice-presidents, a secretary, a treasurer, and other officers, agents and employees. Such officers need not be directors. As in the case of the president, these officers shall have such powers and perform such duties in the management of the property and affairs of the corporation, subject to the control of the directors, as may be prescribed by the directors in the by-laws. The directors may require any officer, agent or employee to give security for the faithful performance of his duties, and may remove him at pleasure.

(See Bank Officers.)

OFFICIAL LIST

A short title for the full title, "The Stock Exchange Daily Official List", which is the London counterpart of the New York Stock Exchange List of security quotations. It is published twice daily with a weekly edition which is a summary of the week's business.

(See London Stock Exchange.)

OFFICIAL LISTING NOTICE

A formal notice to a corporation which has applied to the committee on stock list or similar department of a stock exchange for permission to list its securities on the stock exchange, that the application has been granted. (See Listed Securities.)

OIL

Products and derivatives of crude oil have reached such a variety and importance as the result of advances in refining processes for distillation and cracking and research in chemistry of petroleum hydro-carbons in gaseous, liquid and solid forms as to constitute an indispensable material basis for modern civilization.

Among the products and derivatives are: natural gas and its derivatives and applications; motor fuel for internal combustion engines; fuel oil for Diesel engines and for domestic and industrial heating and power units; benzol, kerosene and related liquid fuels; lubricating oils and greases; paraffines, waxes, solvents, detergents, drugs and medicinal products, cosmetics; low grade oils and asphalts; glycerine, alcohols, synthetic rubber, tuluol and many others.

The United States for years has been the world's leading producer of petroleum, producing areas being found in 26 States, with over 400,000 wells. Producing areas are classified in districts as follows:

District No. 1, East Coast--Maine, New Hampshire, Vermont, Massachusetts, Rhode Island, Connecticut, New Jersey, Delaware, Maryland, Virginia, Eastern New York and Eastern Pennsylvania.

District No. 2, Appalachian--West Virginia, Western Pennsylvania, Western New York, and Eastern Ohio.

District No. 3, Indiana-Illinois-Kentucky--Indiana, Illinois, Kentucky, Tennessee, Michigan, Wisconsin, Minnesota and Western Ohio.

District No. 4, Oklahoma-Kansas--Oklahoma, Kansas, Missouri, Iowa, Nebraska, South Dakota, and North Dakota.

District No. 5, Texas (entire State).

District No. 6, Louisiana-Arkansas--Louisiana, Arkansas and Mississippi.

District No. 7, Rocky Mountain--Montana, Idaho, Wyoming, Utah, Colorado and New Mexico.

District No. 8, California--Washington, Oregon, California, Nevada, and Arizona.

Classified according to the nature of the residue base, American crudes are classified broadly as Appalachian (paraffine-base), Mid-Continent (mixed base), and California (asphalt base).

History.—The use of petroleum is not wholly modern. Its lighting, heating and medicinal applications were utilized as early as the sixth century. Marco Polo described the oil springs of Baku in the thirteenth century. However, credit for the first commercial use of crude oil in modern times belongs to James Young, an Englishman, who, in 1850, patented a device for the manufacture of paraffine from petroleum found in Alfreton, Derbyshire.

While for centuries petroleum was known and used in various parts of the world, consumption was confined to those small quantities that seeped to the surface. It devolved upon Col. Edwin L. Drake to demonstrate that it was practical to drill for oil. As a result of his efforts the first oil well in this country was brought in on August 27, 1859, near Titusville, Pennsylvania, at a depth of 69 1/2 feet. Initial production was 25 barrels a day, and the records reveal a production of 2,000 barrels in that year. Thus, "Drake's Folly," as his pioneering was known, laid the foundation of a great industry that was destined to revolutionize human affairs. The Seneca Oil Company, the first regularly incorporated oil company known to history, was the operating company that developed Drake's discovery. This company was, however, a subsidiary of the Pennsylvania Rock Oil Company, which had been incorporated on December 30, 1854, under the laws of New York "to raise, procure, manufacture and sell rock oil." By 1869, crude oil production in the United States increased to 4,215,000 barrels; by 1906, after successive years of larger yields, output had reached 126,493,906 barrels.

Production.—Since 1935, production of the United States has increased 85%, and world production has in-

creased over 75%. The United States alone has accounted in recent years for approximately 60% of total world production.

In the United States, over three-fourths of production in latest years has been produced in Texas (about 40%), California (about 20%), and Louisiana and Oklahoma (each about 10%). Production of Texas, the largest producer, has approximately doubled since 1935.

Among foreign producers, leading countries are Venezuela, Russia and Iran, which account for about 25% of world production. Production in Venezuela and Iran has expanded over 2 1/2 times since 1935. Saudi Arabia, where recent explorations have indicated the existence of huge reserves, has come from nowhere since 1935 as a producer to a position of world's fifth largest in 1946, and may in future years become the world's largest producer.

Crude oil production and imports in barrels (of forty-two gallons) from 1918 to 1947 have fluctuated as follows:

United States Production and Imports
(in thousands of barrels)

Year	Production	Imports
1947	p1,856,100	97,532
1946	1,733,700	86,066
1945	1,713,700	74,337
1944	1,677,904	44,805
1943	1,505,613	13,833
1942	1,386,645	12,297
1941	1,402,228	50,606
1940	1,353,214	42,662
1939	1,264,962	33,095
1938	1,214,355	26,412
1937	1,279,160	27,484
1936	1,099,687	32,327
1935	996,596	32,239
1934	908,065	35,772
1933	905,656	31,908
1932	785,159	44,700
1931	851,081	47,250
1930	898,011	62,129
1929	1,007,323	78,933
1928	900,364	79,767
1927	901,129	58,383
1926	770,874	60,382
1925	763,743	61,824
1924	713,840	77,775
1923	732,407	82,015
1922	557,531	127,308
1921	472,183	125,364
1920	442,929	106,175
1919	378,367	52,822
1918	355,928	37,736

Source--Bureau of Mines.
p--Preliminary.

The following table summarizes the trend of world production by leading countries for 1935, 1940 and 1946:

Principal Producing Countries
(in thousands of barrels)

	1946	1940	1935
United States	1,733,700	1,353,214	996,596
Venezuela	388,200	185,570	148,254
Russia	166,827	218,600	182,386
Iran	146,500	66,317	57,273
Saudi Arabia	60,500	5,075	.....
Mexico	49,212	44,036	40,241
Iraq	41,900	24,225	27,408
Netherlands Indies	40,000	62,011	37,171
Roumania	32,450	43,168	61,310
Argentina	22,500	20,609	14,297
Colombia	22,250	25,593	17,598
Other	94,509	101,403	61,954
Total World Production	2,796,737	2,149,821	1,654,488

Source--Bureau of Mines.

OIL SECURITIES

Stocks and bonds of oil producing and refining companies. The oil industry is becoming less speculative, and is now one of the strongest organized groups of industry, dominated by relatively few powerful interests. These companies are highly integrated, and normally control all stages of the industry from prospecting and drilling wells to marketing gasoline. A completely integrated oil company combines at lease four essential divisions, viz., production (ownership of oil lands with proven production, oil wells, storage tanks, etc.), refining, transportation (pipe lines, tank cars, tank ships, etc.), and marketing (distributing stations, tank wagons and in many cases control of retail gasoline stations).

In considering the purchase of oil securities, the investor should distinguish between three groups, viz.: (1) undeveloped properties consisting of leases and option lands, i. e., unproved territory; (2) properties which are producing but are not profitable, and (3) properties which are both producing and profitable.

Oil securities embody many of the same characteristics as Mining Securities (q. v.).

OLD LADY OF THREADNEEDLE STREET

A nickname for the Bank of England (q. v.) the main entrance of which is on Threadneedle Street, London.

OLD LINE RAILS

An expression used in reference to the stocks of the well-known standard railroad corporations of the United States which have a reputation for good management, as shown by the high standard of maintenance of their properties, conservative financing, large earnings and uninterrupted dividend record over a long period of years.

ON A SCALE

See Averaging, Scaling.

ON ACCOUNT

A part payment on the purchase price is a payment on account.

ONE-DAY CERTIFICATES

Among the types of borrowing of the U. S. Treasury

are Treasury bills, which are non-interest bearing and are sold weekly on a discount basis for maturities of 90 days on competitive bidding. Certificates of indebtedness are interest-bearing obligations, issued with maturities of not over one year.

In addition to these types of short-term borrowing, the Treasury in former years of low balances in the General Fund used to issue one-day certificates, usually at about the time of quarterly income tax collection dates, to tide it over for the time elapsing between maturing obligations before actual receipts from income taxes became available. For this purpose, the Treasury determined how much it needed and issued certificates to the Federal Reserve Banks with a computation of one day's interest at a rate slightly below the latest market rate on Government paper. The credit would be renewed from one day to another at varying amounts depending on the sum required, the operation being continued until the account was entirely "washed out." The time for completion of these operations differed, taking but a few days at times and as much as a week at others. The Federal Reserve Banks frequently sold the temporary certificates to member banks.

In recent years, large balances maintained by the Treasury in the General Fund and the system of weekly bill borrowing have eliminated the necessity for one-day certificates. Another factor keeping the Treasury comfortably in cash resources in recent years of heavy issuance of Government securities has been the "book credit" method of subscribing to Government securities by member banks, whereby the Treasury is credited in war loan accounts for the amount of the subscriptions. Whenever the Treasury has needed funds, therefore, it has given notice to the member banks of call upon these Government deposits.

(See U. S. Government Securities.)

ONE-DAY LOAN

See Day Loans.

ONE-MAN COMPANY

A term used to describe a corporation which is dominated by one person, either by ownership of the majority of the stock, or by force of his personality and influence in the trade at large. Among credit men such a company is not considered as good a credit risk as one in which the control is more widely distributed, for the reason that the death of the one man in control may embarrass the future of the concern by leaving it destitute of high grade managerial ability.

ONE NAME PAPER

See Single Name Paper.

OPEN

See Open Account, Open Credit, Opening, Open Market Purchases, Open Market Rates, Open Mortgage, Open Order.

OPEN ACCOUNT

When purchases are made and charged to the buyer's account without being evidenced by a note and for which monthly or other periodical settlements are arranged, the buyer is said to be buying on open account and the seller extending open credit. Whenever open accounts are established there is, or should be, a definite promise of settlement, e. g., payment by the tenth of the succeeding month.

Open book accounts, known also as Accounts Receivable, are not regarded as good assets as notes or bills receivable, since the latter are prima facie evidences of debt and open accounts are not. The amount of credit extended on open account is usually limited, the maximum being known as the line of credit. (See Assigned Book Accounts.)

OPEN BOOK ACCOUNT

See Open Account.

OPEN CREDIT

See Credit, Open Account.

OPEN END BONDS

Mortgage bonds, usually those of a railroad company, in which the amount of bonds issuable under the mortgage is left indefinite, the mortgage permitting the subsequent issue of additional bonds up to a certain limit, usually based upon so many bonds per mile of line. Open end bonds are more familiarly known as open mortgage bonds and are to be distinguished from closed mortgage bonds. (See Closed Mortgage, Open Mortgage)

OPEN INTEREST

A term used in connection with futures trading in grains, cotton, and other commodities. It represents the number of unclosed trading contracts and therefore the quantity in bushels, bales, or other unit in a given commodity, entered into by speculators, either long or short, in future options. Thereby, an index of the speculative interest is ascertained. For example, if the total of long future contracts of all options in wheat held by brokers for the account of all customers is 80,000,000 bushels, that represents the open interest in that grain. Thus, the open interest is the amount carried on open contracts, not yet closed out or terminated by sale or acceptance of delivery in the case of longs, or bought back in the case of shorts. The Commodity Exchange Administration issues reports on the volume of trading and open interest daily.

OPEN MARKET

A broad and freely competitive market; a market which is open to many buyers and sellers, and in which prices (whether commodities, securities, or money rates) are determined by such competition. Most of the organized markets, e. g., New York Stock Exchange, are not open markets, since although trading is engaged in by many buyers and sellers and prices are determined by free competition, trading is limited to members of the exchange. (See Market, Open Market Purchases.)

OPEN MARKET COMMITTEE

The Federal Open Market Committee was created by section 12-A of the Federal Reserve Act, as added by the Banking Act of 1933 and completely revised by the Banking Act of 1935. It consists of the members of the Board of Governors of the Federal Reserve System, and five representatives of the Federal Reserve Banks, elected annually as follows: one by the boards of directors of the Federal Reserve Banks of Boston and New York; one by the boards of directors of the Federal Reserve Banks of Philadelphia and Cleveland; one

by the boards of directors of the Federal Reserve Banks of Chicago and St. Louis; one by the boards of directors of the Federal Reserve Banks of Richmond, Atlanta and Dallas; and one by the boards of directors of the Federal Reserve Banks of Minneapolis, Kansas City, and San Francisco. An alternate to serve in the absence of each representative is elected annually in the same manner. The committee meets at Washington, D. C., at least four times each year, or oftener if deemed necessary at the call of the Chairman of the Board of Governors of the Federal Reserve System, or at the request of any three members of the Committee.

(See Open Market Operations. Also refer to Federal Reserve Board Regulations—Regulation M.)

OPEN MARKET OPERATIONS

As contemplated under section 14 of the Federal Reserve Act, open market operations of the Federal Reserve banks may consist of the following: (1) Purchase and sale of cable transfers and bankers acceptances and bills of exchange eligible for rediscount; (2) dealings in gold bullion, subject to the provisions of the Gold Reserve Act of 1934; (3) purchase and sale of direct and fully guaranteed bonds and notes of the United States, bonds of the Federal Farm Mortgage Corporation, with maturities from date of purchase of not over 6 months, and bills, notes, revenue bonds and warrants with maturities of not over 6 months, issued in anticipation of collection of taxes or receipt of assured revenues, by any State, political subdivision or municipality in the continental United States; (4) purchase and sale of bills of exchange arising out of commercial transactions; and (5) purchase and sale of acceptances of Federal Intermediate Credit Banks and of National Agricultural Credit Corporations whenever the Board of Governors of the Federal Reserve System declare that public interest so requires.

Section 12 A of the Federal Reserve Act, as added by the Banking Act of 1933 and completely revised by the Banking Act of 1935, provides as governing principles that the time, character and volume of all purchases and sales of paper described in Section 14 of the Federal Reserve Act (open market operations) as eligible for open-market operations shall be governed with a view to accommodating commerce and business and with regard to their bearing upon the general credit situation of the country.

The purposes of open market operations may be summarized as follows: (1) to contract and expand the volume of excess reserves of member banks, and thus affect the credit expansion power of member banks; (2) to influence the level of money rates through effect on excess reserves; (3) to provide orderly markets for Government securities; (4) to influence the market for bills and commercial paper and levels of rediscounting by member banks; and (5) to exercise effect upon foreign exchange markets and international gold movements.

It must not be supposed that the open market is a particular location set aside for the transaction of business in prime commercial instruments. The open market consists of the Federal Reserve banks, commercial banks, brokers, acceptance and discount houses which, together with their customers, purchase and sell such paper as is eligible for open market operations, as defined by section 14 of the Federal Reserve Act, and Federal Reserve Board Regulation B. (See Federal Reserve Act—Sections 12 A and 14, and Federal Reserve Board Regulations—Regulation B and Regulation M.)

OPEN MARKET PURCHASES

See Open Market Operations.

OPEN MARKET RATES

Money rates established for different classes of loans and paper in the open market, as distinguished from the rates charged by banks to their own customers, and from rediscount rates established by the Federal Reserve Banks for rediscounting by member banks.

Open market rates for paper which is eligible for open market operations of the Federal Reserve banks are lower than the rediscount rates of these institutions. This is also true of the central banks of Europe. (See Money Market, Open Market Operations.)

OPEN MORTGAGE

One which does not exclude the possibility of incurring further debt thereunder, as distinguished from a Closed Mortgage (q. v.). In an open mortgage, there is no maximum amount of debt in bonds or notes authorized for issuance under its terms, although in practice, protective or restrictive covenants restrict the total amount of debt, including new debt, to prescribed ratios in relation to assets. (See Open End Bonds.)

OPEN ORDER

See Orders.

OPENING

A term which refers to the hour at which trading begins on an organized exchange. The opening of the New York Stock Exchange is at 10 A. M.

OPENING PRICE

The prices at which the first sale for the day of any security is made. Opening prices are furnished by leading exchanges to the daily newspapers which publish stock quotations, together with the high, low, and close.

OPERATING COMPANY

Any company which performs actual manufacturing or merchandising operations; one that conducts business operations as distinguished from a controlling or holding company, which does not itself operate, but controls the policies of its subsidiary operating companies through stock ownership. Operating companies are underlying or subsidiary companies, the majority of the stock of which presumably is owned by a Controlling Company (q. v.).

OPERATING EXPENSES

The costs of conducting business exclusive of what are designated as fixed charges. In an industrial concern, operating expenses include manufacturing (factory) costs, selling and general administrative expenses, except taxes, insurance and interest on funded debt. In a merchandising concern operating expenses are determined in the same way except that the cost of merchandise sold is substituted for manufacturing costs. In a railroad or public utility corporation, operating expenses consist of all expenses, except interest on bonds, rentals and taxes. The Interstate Commerce Commis-

sion defines railroad operating expenses to consist of five groups of costs: (1) maintenance of way and structures; (2) maintenance of equipment; (3) conducting transportation; (4) traffic expenses; and (5) general expenses.

OPERATING RATIO

The ratio of operating expenses to sales or revenues, which is a test of operating efficiency, measuring the total operating expenses per dollar of gross.

In manufacturing or trading concerns, the ratio of gross trading profit, after deduction of cost of goods sold from sales, indicates the extent of the mark-up or gross margin of profit. After selling and administrative expenses are deducted, the net operating profit in relation to sales indicates the over-all operating ratio, including overhead.

In the case of railroads and public utilities, the operating ratio is the ratio of total operating expenses to gross revenues. The lower the ratio, the greater the ability to carry a larger burden of fixed charges and thus ability to incur additional debt.

OPERATORS

A term which refers to persons who speculate more or less actively in securities, either for their own accounts or as agents for a principal. The term especially implies those who treat speculation professionally, and whose dealings ordinarily have considerable influence upon price fluctuations. However, in recent years (1947, 1948) the professional speculative interest on the stock exchanges has been small, at a time of high employment, increased earnings and record production. This condition is ascribed by President Schram of the New York Stock Exchange to the high tax burden, the 75% margin requirement, and the rule by the Board of Governors of the Federal Reserve System prohibiting substitutions of securities in accounts having less than 75% margin, even though there is no increase in the amount of credit being used. The latter factor has the effect of prohibiting the trader from selling one security and purchasing another for substitution in the account.

OPTION

A general term to denote the privilege of buying or selling, or a combination of buying and selling specified securities or commodities in given amount and price at the expiration of, or within a given period, the details being fixed by the execution of a contract. The most customary options are those to buy or sell securities, cotton, grain, commercial paper, foreign exchange, but option contracts may be made for almost anything. Rights under an option are sometimes sufficiently valuable to command a premium. (See Puts and Calls.)

On the New York Stock Exchange one of the methods of trading is by means of buyers' and sellers' options. (See Methods of Trading, Privileges.)

OPTION DAY

The day on which an option, e. g., a "put" or a "call" must be declared.

OPTION PERIOD

The duration of an option as specified in the option contract during which the person taking the option has the privilege of deciding whether or not he will buy or sell, as the case may be. Buyers' and sellers' options in stocks on the New York Stock Exchange may be not less than four, or more than sixty days (see Methods of Trading). Note brokerage houses in offering commercial paper to banks on option usually allow ten days for deciding whether such paper will be purchased or not.

OPTIONAL BONDS

Bonds which the obligor (issuer) retains the privilege of retiring at a date prior to the specified obligatory maturity, if it so elects. Thus, a bond may be due in twenty years, but according to its terms, subject to redemption after five years. Such an optional bond is described as a 5/20. Optional bonds are synonymous with callable or redeemable bonds. (See Callable Bonds.)

ORDER INSTRUMENTS

See Pay to Order.

ORDERS

This term has two meanings:

(1) Written instructions to pay money, such as checks, drafts, bills of exchange, money orders, etc.

(2) Instructions to buy or sell securities (or commodities, e. g., cotton, wheat, etc.) to a broker. Orders may be classified from several different standpoints. They may be to buy or to sell and may originate by letter, telegram, telephone, or personal instructions.

Orders may also be classified as to price and duration. Thus, limit orders name a specific price at which they are to be executed, while market orders are to be executed at the market in order to insure immediate execution. Such orders are executed at the most advantageous price prevailing in the market at the time they are given. As to duration, orders may be for the day only, open or good till cancelled (good till countermanded), more familiarly known as G T C orders, and good this week or this month orders (GTW, GTM).

In addition, "stop orders" (stop loss orders, and stop orders to buy) are protective devices for the seller or buyer. A stop loss order becomes a market order to sell and will be executed at the best price obtainable whenever the stock sells at the stop price or less. A stop order to buy becomes a market order to buy whenever the stock sells at the stop or higher.

Orders may be cancelled at any time before execution and customers are entitled to receive confirmation of all orders and cancellation thereof, except day orders, as well as confirmation of executions. (See Matched Orders, Stop Orders.)

ORDINARY RECEIPTS

An accounting term of the United States Treasury Department.

In current Treasury finance, receipts are stated both gross and net. Gross receipts include: Internal revenue (income taxes, miscellaneous internal revenue, social security taxes, and taxes upon carriers and their employees), railroad unemployment insurance contributions, customs, surplus property disposal (Act of Oct. 3, 1944), and other miscellaneous receipts. From such total gross receipts are deducted net appropriations to the Federal old-age and survivors insurance trust fund, to arrive at net budget receipts. These deductions represent appropriations equal to "social security--employment taxes" collected and deposited as provided under Section 201 (a) of the Social Security

Act amendments of 1939, less reimbursements to the General Fund for those administrative expenses which are not paid directly from the trust fund. Such net amount is reflected as net appropriations to the Federal old-age and survivors insurance trust fund.

ORDINARY SHARES

The English equivalent of common stock in America. But in England, ordinary shares are often divided into two classes, preferred shares and deferred shares. (See Deferred Shares, Preference Shares.)

ORE

A money of Norway, Sweden, and Denmark. (See Foreign Moneys—table 2.)

ORGANIZATION CERTIFICATE

One of the documents necessary to execute and file in the organization of a bank. The execution of this instrument is one of the steps requisite to the organization of a bank. Organization certificate forms for National banks are furnished by the Comptroller of the Currency. When filled out they must state the name of the proposed bank, its location, capital, number of shares, and name, address, financial worth of and number of shares to be held by, each stockholder. The organization certificate must be executed in duplicate before a notary; one copy is forwarded to the Comptroller of the Currency, the other retained by the bank. It must be signed and acknowledged by the same persons who sign the Articles of Association (q. v.). When all the necessary papers have been filed and the subscription to Federal Reserve Bank stock has been paid (3% payment of the subscription of 6% of capital and surplus), either a Certificate of Authority to Commence Business (to be published for specified 60-day period), or a Charter will be issued to the bank by the Comptroller of the Currency.

ORGANIZATION OF A BANK

See Bank Organization.

ORIGINAL BILL

Foreign checks and bills of exchange are issued in duplicate and designated either as original and duplicate, or as first and second of exchange. (See First of Exchange.)

ORIGINATOR

A term referring to an investment banking house that originates or promotes a new issue of stock or bonds. An originator is not necessarily an Underwriter (q.v.).

OUT OF LINE

An expression used by speculators and investors in referring to particular securities, the prices of which are thought to be either above or below that warranted by the general level or average. For example, two stocks may bear the same dividend rate, have the same asset value, the same present and future earning power, and still command widely divergent prices or yields on the market. One may be said to be out of line with the other, or with the general level of securities of like nature.

OUT-OF-TOWN CHECKS

A check drawn on a bank located in another place is an out-of-town item to the bank receiving it for credit to the account of the depositor. Out-of-town checks are collected through the Federal Reserve Check Collection System (q. v.), or through correspondent banks with whom arrangements have been made to act as collecting agents therefor. (See Transit Department.)

OUT-OF-TOWN CLEARINGS

See Federal Reserve Check Collection System, Federal Reserve Interdistrict Collection System, Transit Department.

OUT-OF-TOWN COLLECTIONS

See Collection Items.

OUTSIDE BROKER

One not belonging to the principal stock exchange in a particular location. Thus, in New York City an outside broker is one not a member of the New York Stock Exchange.

OUTSIDE MARKET

A term used to refer to transactions in securities taking place outside of the New York Stock Exchange. Originally it referred specifically to the New York Curb Market (now known as the New York Curb Exchange).

OUTSIDE SECURITIES

Securities not listed or quoted on the principal exchange in the location, i. e., traded on an outside market. Thus, in New York City securities not traded on the New York Stock Exchange are "outside securities."

OUTSIDERS

"The general public"; the non-professional speculating element; speculators who are not in possession of the financial statements and other information regarding the corporations in the securities of which they deal in advance of their publication, i. e., in advance of being made available to the public. The outsiders also usually know nothing about the market's Technical Position (q. v.). An outsider trades on the basis of external facts, Fundamental Conditions (q.v.), etc., rather then upon advance or "inside" information. (See Insider.)

OUTSTANDING BONDS (STOCKS)

The aggregate of bonds (or stocks) which have actually been issued and sold, as distinguished from the amount authorized. The maximum of stock which a corporation is authorized to issue is determined by the certificate of incorporation. Under New York statutes, stock corporations have the power to borrow money and contract debts when necessary for the transaction of business, but consent of at least 2/3rds of stockholders is required for the execution of any mortgage, except purchase money mortgages, to secure such debt.

(See Authorized Bonds, Authorized Capital Stock.)

OVERALL BASIS

A term used in investment analysis to indicate the extent or degree of coverage of all fixed charges by earnings available for such charges. Importance of the term may be illustrated in the case of a company having three bonds issues, each having a lien rank ahead of the

other, in accordance with the following example:

Income available for bond interest		$600,000
Charges, first lien bonds	$150,000	
Charges, second lien bonds	150,000	
Charges, third lien bonds	100,000	400,000
Balance available for surplus		$200,000

On an overall basis, this company covered its total charges 1 1/2 times ($600,000 divided by $400,000). Such a comparison is less favorable than might be stated for each of the bond issues considered separately. Thus, charges on the first lien bonds were earned 4 times ($600,000 divided by $150,000); charges on the second lien bonds after requirements on first lien bonds were earned 3 times ($450,000 divided by $150,000); charges on third lien bonds were also earned 3 times after requirements on first and second lien bonds combined, thus giving the superficial appearance of being as well covered as the second lien bonds. However, if income available for bond interest should shrink by $150,000 or to $450,000, the overall coverage would be 1 1/8 times, and charges on the third lien bonds would be earned only by 1 1/2 times, after allowing for requirements on first and second lien bonds, instead of 3 times as before. In other words, a shrinkage of only 25 per cent. in income available for bond interest would reduce the safety margin for the third lien bonds by one-half.

OVERBOUGHT

The condition of a market when speculative buying has been heavy in spite of advancing prices and which, because of the latent desire of speculators (the long interest) to take their profits, and the probable temporary elimination of the short interest, leaves it in a weak technical position, susceptible to declining prices through profit taking and probable renewed short selling.

OVERCAPITALIZATION

A condition which exists in a corporation when the value of its net assets is less than the par value of its shares. If shares were fully paid for when issued and property values subsequently kept intact, over-capitalization would not occur. It has been held among courts that capital stock should not exceed the market value of a corporations's net assets, but among financiers and accountants, this principle is not regarded as altogether sound or practicable. From the point of view of the latter, overcapitalization does not exist until and unless the capital stock outstanding is so great that the corporation is unable to earn a reasonable and ordinary return upon it. In other words, the test of proper capitalization is not asset value, but the earning power of the assets.

Over-capitalization in the case of a railroad or other public utility is likely to result in a receivership and reorganization by which a scaling down of securities bearing a fixed rate of interest must be effected.

(See Watered Stock.)

OVER-CERTIFICATION

The practice of certifying a check by a bank for an amount greater than the balance credited to the account of the drawer. Over-certification was formerly a customary proceeding among banks in New York City which specialized in furnishing call funds to stock exchange brokers. The practice is now prohibited with penalties by Section 5208 of the Revised Statutes (Federal Reserve Act amendment, September 26, 1918), which follows:

> "It shall be unlawful for any officer, director, agent, or employee of any Federal Reserve bank, or of any member bank as defined in the Act of December 23, 1913, known as the Federal Reserve Act, to certify any check drawn upon such Federal Reserve bank or member bank, unless the person, firm or corporation drawing the check has on deposit with such Federal Reserve bank or member bank, at the time such check is certified, an amount of money not less than the amount specified in such check. Any check so certified by a duly authorized officer, director, agent, or employee shall be a good and valid obligation against such Federal Reserve bank ormember bank."

In effect over-certification is tantamount to a temporary loan and bridges the gap between the time a broker buys securities for customers, and their delivery—when the collateral becomes available. The law against over-certification is technically evaded by the practice of granting so-called "day loans" or "morning loans." (See Certifications, Day Loans.)

OVERCERTIFIED

See Over-Certification.

OVERCERTIFY

See Over-Certification.

OVERCHECK

To overdraw one's account. (See Overdrafts.)

OVER-COMMITMENT

To make contracts involving financial responsibility in excess of the amount of one's capital or credit; for example, to buy securities on a thin margin; similar to Overextension (q.v.).

OVERDRAFTS

An account appearing upon the general ledger and financial statement of a bank to indicate the aggregate amount by which depositors have overdrawn their accounts. From a bookkeeping standpoint, the overdraft occurs when a depositor overchecks, i. e., when not only the credit balance has been exhausted, but a debit balance created.

Overdrafts are equivalent to unsecured loans which occur through the oversight of a customer, or through delay in deposit remittances. Since overdrafts appear as an asset to offset the amount by which depositors' accounts are increased, they obviously increase gross deposits.

Under a ruling of the Comptroller of the Currency, overdrafts are forbidden among National banks. It is consequently a duty of ledger clerks to detect overdrafts and report checks which, if entered, would create overdrafts, to an officer for a decision as to whether the overdraft check should be paid. Most banks refuse to pay such checks, but frequently, as a matter of courtesy and service, the depositor is notified and given opportunity to make good the deficit immediately. This obviates the necessity of returning the check on account of insufficient or no funds and perhaps having it protested. In such cases, the check is temporarily

held awaiting the action of the depositor, who is sent a notice as follows.

"Your account appears to be overdrawn $ ..... This notice is sent in the regular course of business in order that the matter may receive your prompt attention in case the overdraft has been caused by a delayed deposit or remittance."

OVERDRAW

To draw a check which more than exhausts one's credit balance at a bank, thereby creating a debt balance. (See Overdrafts.)

OVERDUE BILLS (NOTES)

Bills or notes which have not been paid at maturity. When an indorsed note is not paid at maturity it should, unless it contains a waiver of protest, be protested in order to hold the indorsers liable. Bills or notes not paid at maturity are transferred from the Time Loans or Bills Discounted accounts which should contain only unmatured items, to an account entitled, Bills Discounted Overdue. For the disposition of bills long overdue, see Bad Debts.

OVEREXPANSION

A term roughly equivalent to Inflation (q.v.). The construction of plant facilities and production of goods in excess of reasonable near-term production requirements, and sales probabilities. Such a condition is characterized by over-accumulation of inventories, thus tying up working capital and freezing any bank loans used to finance inventory expansion. Thus overexpansion in business generally has the effect of placing commercial loans of banks in an overextended position. (See Business Cycle.)

OVEREXTENDED ACCOUNTS

From a broker's standpoint, accounts which are under-margined; from a banker's standpoint, loans which the borrower cannot pay at maturity, thereby requiring renewal.

OVEREXTENSION

From the point of view of a lender, credit is overextended when a line out of proportion to the risk's capital rating, moral responsibility, and business ability, is granted. From the point of view of a trader, overextension is a condition of having purchased securities or commodities in excess of an amount justified by his capital and borrowing power and which, in case of declining prices, is apt to lead to losses through inability to furnish proper margin, or otherwise through pressure by creditors. From the standpoint of business, the term refers to expansion of facilities and equipment beyond the immediate or prospective needs of the concern.

OVERISSUE

An issue of stock or bonds by a corporation in excess of the amount authorized. The purpose of a stock registrar is to prevent an overissue. (See Authorized Bonds, Authorized Capital Stock, Stock Registrar.)

OVERLYING MORTGAGE

A mortgage before which another or other mortgages have prior claim upon the company's property. An overlying mortgage is, therefore, not a first mortgage, and overlying bonds are junior lien bonds. Overlying mortgage is a term synonymous with junior mortgage, and an antonym of underlying mortgage. (See Junior Mortgage.)

OVERNIGHT LOAN

One which is to be paid off the following day.

OVERPLUS

Practically equivalent to surplus, or balance over all expenses.

OVERS AND SHORTS

In banking practice, an account in which items that are either over (credits) or short (debits), producing a state of unbalance, are kept in suspense until they can be located and adjusted. The amount of overs and shorts, if any, is entered in daily department proofs, and later consolidated by the general bookkeeping or auditing department. This department, by having access to the details of all the transactions of the bank, is in a position to locate differences and adjust them.

OVERSOLD

The condition of a market when selling, especially short selling, has been in heavy volume at declining prices, placing the market in a technical position to rally through the latent urgency of covering by the short interest.

OVERSPECULATION

A condition existing when the aggregate of trading in securities or commodities on any exchange is in excess of that needed to furnish a ready market and to keep prices in harmony with actual values.

OVERSTAYED

A term used to describe a trader who, having a paper profit (an unrealized profit), waits for a larger profit and then because of a sudden decline in prices, the profit is reduced or cancelled, or even converted into a loss. He is then said to have "overstayed" his market.

OVERSUBSCRIPTION

When the aggregate of subscriptions contracting to buy an issue of securities offered to the public exceeds the amount of the issue, it is said to be oversubscribed. In such cases, subscriptions over $1,000 in bonds, or say 10 shares of stock, are usually reduced pro rata by the syndicate manager in order to equalize the subscriptions and the amount of the issue, and the larger subscriptions are frequently cut down by a greater percentage than the smaller.

OVER-THE-COUNTER MARKET

The market for securities not listed on any regularly organized exchange. More stocks and bonds are represented by such markets than on the stock exchanges. Frequently, large blocks of bonds and stocks, represented on stock exchanges, are dealt with on such outside markets, one of the functions of the Over-the-Counter markets being to effectuate redistribution of securities not previously digested. For example, United States Government issues, though listed, are frequently bought and sold in large blocks Over-the-

Counter. Practically all dealings in state and municipal bonds are upon Over-the-Counter markets, which also command almost exclusive dealings in bank, insurance and investment company shares as well as real estate bonds.

Over-the-Counter markets in the United States, although lacking in central organization, and for the most part dealing in less known securities, actually are broader and larger markets than the exchanges. As of the middle of 1935, a careful estimate disclosed that quotations are available on not less than 25,000 unlisted bonds and 30,000 unlisted stocks, or fully 55,000 separate over-the-counter securities throughout the United States. By contrast, listings on registered stock exchanges totalled about 7,000, of which about 2,300 were on the New York Stock Exchange.

The National Association of Securities Dealers, Inc. is the only national organization of brokers and dealers embracing the entire Over-the-Counter Market without regard for location, the kind or volume of business done, or collateral affiliations. Local associations of Over-the-Counter brokers, dealers and traders are organized in principal cities. On December 31, 1947, there were 4,011 broker/dealers registered with the Securities and Exchange Commission, as compared with membership as of the same date in the NASD of 2,648 members. Most of the non-members of the NASD are in the real estate and insurance, oil royalties and exempt securities classifications.

Certain types of securities adapt themselves more readily to trading in the over-the-counter markets than to the organized exchanges, as, for example, securities of the following types:

(1) Small capitalizations.
(2) No great speculative interest.
(3) Unsuitability for margin trading.
(4) Concentration of outstanding securities in a few hands.
(5) Desirability for portfolios of institutions, such as insurance companies, etc., that wish to negotiate a sizable block at one price.
(6) Stocks and bonds selling at high prices, as in the case of some bank stocks.

Over-the-Counter quotations, grouped as between stocks and bonds, are furnished in New York City by the National Association of Securities Dealers, Inc. to daily newspapers under the following classifications: Bonds: U. S. Treasury bills, U. S. Treasury Certificates of Indebtedness, U. S. Treasury Notes, Federal Land Bank, Federal Intermediate Credit Bank Debentures, U. S. Insular and Territorial, New York State, New York City, Public Authority Bonds, Other Municipals, Reorganized Rail Bonds, Corporation Bonds. Stocks: Bank and Trust Company Stocks, Industrial, Rail and Utility Stocks, Insurance Company Stocks, Investment Companies, Reorganized Rail Stocks.

Under the Securities Exchange Act of 1934, the Securities and Exchange Commission has required the registration of all dealers in Over-the-Counter securities. Filing of registration statements by such dealers was required by July 1, 1935, but actual registration became effective one month later. Registration was required of all brokers and dealers who use the mails or any instrumentality of interstate commerce to effect securities transactions on markets other than national securities exchanges. Exemptions were provided only to dealers engaging exclusively in handling exempted securities, e. g., commercial paper, bankers' acceptances or commercial bills, or "securities which have not been registered or listed on an exchange and the market in which is predominantly intrastate."

(See National Association of Securities Dealers, Inc.)

OVER-TRADING

Trading in securities or commodities on too small a margin, i. e., buying an amount out of proportion to a given capital. To hold securities on too small a margin is as risky as buying unsound securities.

OVERTURN

A synonym for Turnover (q. v.). Also see Merchandise Turnover.

OWNERSHIP CERTIFICATES

The Internal Revenue Code (Section 147) requires the furnishing of information to the Treasury at the source of payments in order to assist it in tax collection. Section 147 (b) of the Code requires such information ("returns") regardless of the amount (1) in the case of payments of interest upon bonds, mortgages, deeds of trust, or other similar obligations of corporations; (2) in the case of payments of interest upon obligations of the United States or any agency or instrumentality thereof; and (3) in the case of collections of items (not payable in the United States) of interest upon the bonds of foreign countries and interest upon the bonds of and dividends from foreign corporations by persons undertaking as a matter of business or for profit the collection of foreign payments of such interest or dividends by means of coupons, checks, or bills of exchange.

Interpreting the statute, Treasury Regulation 111, Sections 29.143-4, provides as follows: In accordance with the provisions of Section 147 (b), citizens and resident individuals and fiduciaries, resident partnerships and non-resident partnerships, all of the members of which are citizens or residents, owning bonds, mortgages or deeds of trust, or other similar obligations issued by a domestic corporation, a resident foreign corporation, or a non-resident foreign corporation having a fiscal agent or a paying agent in the United States, when presenting interest coupons for payment shall file ownership certificates for each issue of such obligations regardless of the amount of the coupons.

However, in the case of interest coupons presented on or after January 1, 1943, such ownership certificates are required to be filed by such citizens, residents, fiduciaries or partnerships only with respect to interest coupons on bonds, mortgages or deeds of trust, or other similar obligations, issued prior to January 1, 1934 and containing a tax-free covenant.

In the case of interest on obligations of the United States or any agency or instrumentality thereof, regardless of the date of issuance thereof, ownership certificates shall be filed by such citizens, residents, fiduciaries and partnerships only in the case of interest paid prior to January 1, 1943.

Ownership certificates (Form 1001) shall also be filed in the case of interest paid on or after January 1, 1942 on obligations of the United States or any agency or instrumentality thereof, regardless of the date of issuance of such obligations, if such obligations are

owned by the persons described in the first sentence of the Regulation above.

The ownership certificate shall show the name and address of the obligor, the name and address of the owner of the obligations, a description of the obligations, the amount of interest and its due date, the rate at which the tax is to be withheld, and the date upon which the interest coupons were presented for payment.

Ownership certificates need not be filed in the case of interest payments on obligations of a State, Territory or any political subdivision thereof, or the District of Columbia; or the obligations of possessions of the United States.

Ownership certificates are not required to be filed in connection with interest payments on bonds, mortgages or deeds of trust, or other similar obligations, issued by an individual or a partnership.

Ownership certificates are not required where the owner is a domestic corporation, a resident foreign corporation, or a foreign government.

In the case of interest payments on overdue coupon bonds, the interest coupons of which have been exhausted, ownership certificates are required to be filed when collecting the interest in the same manner as if interest coupons were presented for collection.

In all cases where the owner of bonds, mortgages or deeds of trust, or other similar obligations of a corporation, is a non-resident alien, a non-resident partnership composed in whole or in part of non-resident aliens, a non-resident foreign corporation, or where the owner is unknown, an ownership certificate for each issue of such obligations shall be filed when interest coupons for any amount are presented for payment. The ownership certificate is required in such cases whether or not the obligation contains a tax-free covenant.

However, ownership certificates need not be filed by a non-resident alien, a partnership composed wholly of non-resident aliens, or a non-resident foreign corporation in connection with interest payments on such bonds, mortgages or deeds of trust, or other similar obligations of a domestic or resident foreign corporation qualifying under Section 119 (a) (1) (B) of the Code, or of a non-resident foreign corporation.

When interest coupons detached from corporate bonds, or (as to coupons presented on or after January 1, 1942) from obligations of the United States or of any agency or instrumentality thereof, are received unaccompanied by ownership certificates, unless the owner of the bonds is known to the first bank to which the coupons are presented for payment, and the bank is satisfied that the owner is a person who is not required to file an ownership certificate, the bank shall require of the payee a statement showing the name and address of the person from whom the coupons were received by the payee, and alleging that the owner of the bonds is unknown to the payee. Such statement shall be forwarded to the Commissioner of Internal Revenue with the monthly (quarterly for the calendar year 1943 and subsequent calendar years) return on Form 1012.

The bank shall also require the payee to prepare a certificate on Form 1001, crossing out "owner" and inserting "payee", and entering the amount of the interest, and shall stamp or write across the face of the certificate "Certificate furnished", adding the name of the bank.

Ownership certificates are required in connection with interest payments on registered bonds as in the case of coupon bonds, except that if ownership certificates are not furnished by the owner of such bonds, ownership certificates must be provided by the withholding agent.

PACKERS

A term usually applied to companies engaged in the slaughter of meat animals, and the dressing, packing and sale of meat and allied products at wholesale. In particular, the term applies to the largest units of this industry, which are Swift, Armour, Wilson and Cudahy. These companies, called the "Big Four", slaughter under Government supervision about 58% of all cattle killed in the United States, 54% of the hogs, 68% of the calves, and 79% of the sheep. Among the smaller units in the meat packing field are: Gobel, Hormel, Hygrade Food Products, E. Kahn Sons Co., Kingan & Co., Mickelberry's, Miller & Hart, John Morrell & Co., Rath Packing, Stahl-Meyer, etc.

Among the important by-products of the meat-packing business, which until recent years of high profits in meats were mainstays for profitable operation, are: lard, tallow, margarine, glue, glycerine, cleansers and soaps, hides, wool, hair, ammonia, animal feeds, fertilizers, etc.

The term "packers" is also sometimes applied to packers of canned foods, such as California Packing, Beech-Nut Packing, Heinz, Libby McNeill & Libby, Phillips Packing, Stokely-Van Camp, etc.

PACKING LIST

A list accompanying a shipment of goods indicating the number of packages and their contents but omitting prices. (See Certificate of Inspection.)

PAID CHECKS

Same as Cancelled Checks (q. v.).

PAID CREDIT

A short title for the full title, "Paid Letter of Credit." Commercial letters of credit are paid in advance only in rare instances, but travelers' letters of credit are usually paid for when issued. (See Letters of Credit, Traveler's Letter of Credit.)

PAID UP CAPITAL

That part of the subscribed capital stock which has been issued and paid for, the remainder being subject to call and representing uncalled capital. Federal Reserve bank stock, for example, must be subscribed for by member banks in amounts equal to 6 per cent. of the combined capital and surplus of the subscribing bank, but up to the present time only 50 per cent. of the amount subscribed has been called. (See Call.)

PAID UP SHARES (STOCK)

Same as Full-Paid Stock (q. v.).

PANIC

In the past financial history of the United States, a panic has been characterized as a sudden, excited, unreasoning collapse of confidence in the ability of banks and creditors generally to meet their obligations. It has been primarily a financial (rather than a business) phenomenon, and has been immediately traceable to a collapse in the credit structure, usually precipitated by the failure of a conspicuous bank or business house, or a succession of failures without previous warning. This operated as a signal that all banks might not be solvent, and "runs" on banks and demand for cash payments generally were liable to develope like wildfire. Hence, banks were the storm centers of panics.

Fundamentally, a panic has been a reaction against stringent credit conditions, rising security and commodity prices, difficult collections, finally culminating in a "buyers' strike." It has been anticipated by feverish industrial production; rising price, wage, and interest levels; expanding bank loans and falling reserves; extreme prosperity; overexpansion of plant facilities; and overextension of credit.

During a panic business men strove to protect their cash position and to maintain financial solvency. There usually have been plenty of goods and collateral but a shortage of currency, and creditors pressed their debtors for cash payments. But collections were achieved only with great difficulty. For this reason, securities and commodities were thrown on the market for what they would bring in order to raise cash. A panic has been usually of short duration, and has been followed by a period of liquidation and industrial depression. A panic should be distinguished from Crisis (q. v.), Depression (q. v.), and Liquidation (q. v.).

Provision for Elastic Currency (q. v.) in the Federal Reserve Act appears to have solved the shortage of currency problem. Through the rediscount process and advances on Government securities and other assets additional currency can be created with discounted notes as security, and as long as the requirements as to deposits and Federal Reserve Note liabilities of the Federal Reserve Banks themselves are met, additional Federal Reserve currency and reserves can be injected into the member banks. The most critical banking panic of the United States began with declaration of the initial State "moratorium" by Michigan in February, 1933, and culminated in the Banking Holiday declared for the entire nation in March, 1933. Panics of greater or less intensity occurred in 1907, 1903, 1900, 1893, 1873, 1857, 1846, 1837, and 1825. (See Business Cycle.)

PAPER

A general term applied to all short-term evidences of debt not under seal, i. e., negotiable instruments used in borrowing short-term funds, especially funds for commercial purposes. The following classes of paper are frequently referred to, viz: Agricultural Paper (q. v.), Business Paper (q. v.), Commercial Paper, (q. v.), Commodity Paper, (q. v.), Corporation Paper, Mercantile Paper, and Trade Paper (q. v.).

PAPER BASIS

A term used to indicate that a country does not employ (or no longer employs) a metallic basis for its currency system, and that commodity prices and foreign exchange rates are based upon (usually) depreciated paper money. (See Paper Money.)

PAPER MONEY

Paper instruments, e. g., Federal Reserve Notes, silver certificates, U. S. notes, Treasury notes of 1890, and Federal Reserve Bank Notes and National Bank Notes (now in process of retirement), which serve as substitutes for metallic money and form the principal

part of the circulation media. For the principles underlying paper money issues, see Money.

The advantages of paper money over metallic money are: (1) greater portability, i. e., convenience in handling; (2) saving of loss from abrasion; (3) economy of time in counting and weighing (gold coin, now all withdrawn from circulation, also formerly had to be weighed to determine extent of abrasion); (4) greater security in case of loss or theft; (5) saving of interest for the amount by which paper money exceeds the metallic money kept in reserve for its redemption; (6) greater cleanliness, since paper money can be frequently reissued.

For a description of different kinds of United States paper money, and legal tender and redemption qualities thereof, see Monetary Stock (Circulation), and United States Money.

PAPER MONEY INFLATION

The issue of paper money in quantities in excess of the value of the metallic or documentary (Government bonds, commercial paper, etc.) reserve behind it. Wherever it is impossible for a Government to redeem its paper currency in standard money on demand, monetary inflation exists. (See Inflation.)

PAPER PROFITS

Unrealized profits; profits not yet taken; profits existing because of a rise in the market price of a security (or commodity) over its purchase price, or decline in the market price below the selling price, if sold short. For instance, if one hundred shares of United States steel have been bought at 80 and the price is currently quoted at 85, a paper profit of 5 points, or $500 has arisen, but the profit does not become certain until the stock has actually been sold and converted into cash.

PAR

In the original sense, this term means state of equality, or 100 per cent., without premium or discount. The par value of a share of stock is also known as its face or nominal value; the value imprinted or engraved on a bond or stock certificate, and in the case of a bond, the principal amount at which it will be redeemed at maturity. (See Commercial Parities, Mint Par of Exchange, Par Value.)

PAR CLEARANCES

Clearing house checks, i. e., those passing through a local clearing house association, are collected at par, no charge being made to the payee or indorser by the collecting bank (which receives the check for deposit), or to the drawer by the bank on which it is drawn.

The term usually refers, however, to out-of-town collections. In this connection laymen generally appear to be confused concerning the meaning of this term. The Federal Reserve check collection system provides for compulsory collection of out-of-town checks among its members and clearing members at par. This refers to the fact that this system provides that all checks be accepted and remitted for by the drawee bank at par. It does not mean that a bank accepting an out-of-town check for deposit and credit may not make a charge. Such a charge, when made, however, is not a collection or exchange charge. It is an interest or discount charge. If a bank accepts for deposit and credit a check drawn on a bank located at a point five days away, the charge which the collecting bank makes is for the loss of interest incurred while the check is in the process of collection. The depositor is not entitled to draw against uncollected funds. In the case of savings deposits or time deposits (demand deposits no longer are permitted to draw interest), interest may be credited from the date of deposit. The charge made by the collecting bank is exactly parallel to the charge made for discounting a note due in five days. (See Federal Reserve Check Collection System, Federal Reserve Interdistrict Collection System, Gold Settlement Fund.)

PAR COLLECTION OF CHECKS

See Clearing House Exchange Rates, Federal Reserve Check Collection System, Federal Reserve Interdistrict Collection System, Interdistrict Settlement Fund, Par Clearances.

PAR LIST

Among transit men, a term used to denote the banks throughout the United States which accept and remit to presenting banks at out-of-town points for checks drawn upon themselves at par. Member banks of the Federal Reserve System are automatically placed on the par list. Other banks which are willing to accept and remit for checks drawn upon themselves at par may be placed upon the par list and are known as clearing members. This entitles clearing member banks to the advantage of collecting out-of-town checks through the Federal Reserve Check Collection System, for which no charge is made. The Board of Governors of the Federal Reserve System periodically publishes a list of the banks which constitute the par list. (See Federal Reserve Check Collection System.)

PAR OF EXCHANGE

See Mint Par of Exchange.

PAR POINTS

Locations (cities and towns) which, with relation to a given central location, are considered to be within the par area of collections. No charge is made to a depositor who deposits for credit, items drawn on banks located at par points. For any given location, the local clearing house association usually determines which points are par points by designating the area within a certain radius as the par area, and the area beyond this boundary, as the non-par area. In this way, bank members of the clearing house are governed by the same procedure, and standardized minimum exchange rates are fixed for all non-par points.

As the result of inauguration of the Federal Reserve Par Collection System and the membership therein as of June 30, 1948 of 14,086 banks with 4,234 branches and offices, there are only 2,014 banks in the United States, with 318 offices, which are still on a non-par basis. (See Federal Reserve Check Collection System.)

PAR VALUE

(1) Bonds. The par or face value of a bond is the principal amount at which the obligor (issuing organization) contracts to redeem the bond at maturity. It is also the basis upon which the cash interest rate is computed. While bonds are usually issued at an interest rate sufficiently attractive to insure their sale approximately at par or at a slight discount, they afterward

fluctuate in accordance with the trend of money rates and general business conditions and in the case of medium and lower grade railroad, utility and industrial bonds, with the earnings of the issuer. Whether a bond commands a premium or is at a discount, the nearer it approaches maturity the nearer the market value approximates the par value, until at the date of maturity, it should be worth precisely par, since that is its redemption value. In the United States, bonds are usually issued in denominations of $1,000, although $500 and $100 denominations are not infrequent. Higher denominations such as $5,000 and $10,000 occur in a few issues.

(2) Stocks. The par or face value of shares of stock is not uniform, although $100 was formerly the most common par. Shares may be given any specified par value, e. g., $50, $25, $10, and even smaller denominations now most often are found. In speculative enterprises, such as in oil and mining industries, the par value of shares is usually small in order to attract a wider market than would be possible if shares were of higher par value. In many states, shares may be issued without par value. (See Denomination, Par, Without Par Value.)

PARA

A minor currency unit of Cyprus, Turkey and Yugoslavia. (See Foreign Moneys—table 2.)

PARENT COMPANY

A variant of the holding company; a corporation which owns sufficient stock in its underlying or subsidiary companies to insure their control. Control may also be reinforced by leasing territorial or patent rights, or both. A parent company may at the same time be an operating company. The Packard Motor Car Company is of this type, being an operating company but at one time owning seven subsidiaries now reduced to two for tax reasons. The United States Steel Corporation, on the other hand, is a purely holding company, owning some 65 subsidiary operating companies, e. g., Carnegie Steel Company, Illinois Steel Company, etc., but engaging in no industrial operations of its own.

The income of a parent company is derived from dividends, interest, royalties, rents, and where it is also an operating company, its own sales or revenues and net profits or net income. (See Holding Company, Operating Company.)

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PARIS BOURSE

The Paris Stock Exchange, the full title of which is, "The Company of the Paris Bank, Exchange, Trade and Finance Brokers" (Compagnie des Agents de Change de Paris).

This is the most important continental stock market, ranking, after London, as the largest international stock market of the world. Organization may be said to date from 1705, when the Bourse obtained royal recognition from Louis XIV as brokers for the negotiation of loans, but earlier beginnings had dated as far back as the 12th century. The modern Bourse dates from 1801, and its present building was completed in 1827.

The Paris Bourse in reality consists of three major markets: (1) the Parquet, or formal market, which is composed of 70 members having joint liability, not permitted to trade for own account, and occupying semi-public status under the Minister of Finance; (2) the Coulisse, corresponding to a Curb Market; and (3) the Hors-Cote market, corresponding to an unlisted market. Approximately 3,500 issues were listed or traded on these various markets prior to World War II, including arbitrage business with the London Stock Exchange in "internationals", or securities traded in more than one stock exchanges of the world. In September, 1944, the Bourse recommenced business after having been freed from German control during World War II.

Cash transactions, which may be for any number of shares, are more frequent than the more specialized system of futures contracts, which are limited to 25 shares. On the Parquet, settlements are made twice a month, similar to the London Stock Exchange practice, and are made once a month on the Coulisse. Hours of trading are from 12 to 3, except on Saturdays from May through October.

PARITY

Equivalence; a term derived from par, meaning the equivalent price for a certain security or currency quoted in one market reduced to another currency after making adjustments for exchange rates, loss of interest and other factors. (See Arbitrage, Commercial Parities, London Equivalent.)

PARITY INDEX

An index computed and published monthly by the Bureau of Agricultural Economics of the U. S. Department of Agriculture which expresses the relationship of the present purchasing power of designated commodities to that of a given base period, generally 1909-1914 or 1919-1929.

In computing the index, the Bureau takes into account the prices the farmer receives for the commodities, and the prices the farmer must pay for the things he buys. In calculating the latter, the Bureau gives 86% weight to prices paid by farmers for 86 commodities needed for family needs and 94 commodities used in production; 7.2% weight to interest on agricultural real estate debt; and 6.8% weight to taxes payable on agricultural real estate.

When the parity index is multiplied by the base period price of a designated commodity, the result is the Parity Price (q. v.), which is used to measure Government price support loans and also indicates the price at which current holdings of agricultural commodities held by Government agencies, such as the Commodity Credit Corporation, may be sold.

PARITY PRICE

Under the present concept of agricultural aid laws, the parity price for a commodity is a price which will afford when sold the same purchasing power for the things the farmer buys that prevailed during designated base periods. This concept of purchasing power parity has replaced the former simpler concept of price parity.

Base period most applicable is the August, 1909-July, 1914, for such commodities as wheat (88.4¢ per bushel base period price); cotton (12.4¢ per lb.); corn (64.2¢ per bushel); oats (39.9¢ per bushel). Other parity prices for this base period are: barley, 61.9¢ per

bushel; cottonseed, $22.55 per ton; eggs, 21.5¢ per dozen; flaxseed, $1.69 per bushel; hogs, $7.27 per cwt.; milk at wholesale, $1.60 per cwt. and butterfat, 26.3¢ per lb.; rye, 72¢ per bushel; grain sorghums, $1.21 per cwt.; soybeans (derived base period price), 96¢ per bushel; wool, 18.3¢ per lb. Base period for potatoes and various tobaccos, and other commodities on which adequate data are not available for the 1909-1914 base period, is the August 1919-July 1929 base period. Also, burley and flue-cured tobaccos have a special base period of August 1934-July, 1939.

By multiplying these base period prices by the Parity Index (q.v.), the parity price for the commodity is determined. Parity prices are published monthly by the Bureau of Agricultural Economics on some 31 commodities, while parity prices for some 150 other commodities are published semi-annually.

The importance of parity prices lies in their determination of Government loan prices. Government loans at 90% of parity price for the six basic commodities, except cotton, which may be loaned on at 92 1/2% of parity price, have been available under present laws through 1948, as compared with basic range of 52% to 75% of parity specified in the Agricultural Adjustment Act of 1938. The six basic commodities are: cotton, corn, wheat, tobacco, rice, and peanuts (used as nuts). In addition, such loans on the same basis may be extended on the 14 Steagall commodities: hogs, eggs, chickens (subject to exceptions), milk, butterfat, dry peas and edible beans, flaxseed, soybeans, peanuts used for oil, potatoes and cured sweet potatoes, American-Egyptian cotton, and turkeys. Price support is afforded also to some 140 other agricultural commodities. Holdings of Government agencies of agricultural commodities may not be generally sold at less than current parity price.

PARTIAL PAYMENT

Normally, a negotiable instrument is discharged by full payment in money or by check in due course by or on behalf of the principal debtor. Discharge, however, may also occur by any acts which would effect a discharge of a simple contract for the payment of money (Sec. 119 (4), Uniform Negotiable Instruments Law; Sec. 200 (4), New York Negotiable Instruments Law). Among these acts of discharge are an accord and satisfaction, such as by acceptance of partial payment of the negotiable instrument at maturity, with the balance perhaps extended by means of a renewal note, which act would be a novation if the old note is surrendered. Persons secondarily liable on the instrument are discharged by any act which discharges the instrument (Sec. 120 (1), Uniform Negotiable Instruments Law; Sec. 201 (1), New York Negotiable Instruments Law).

PARTIAL PAYMENT PLAN

Sales plans, now no longer operative because of the applicability of margin requirements under the Securities Exchange Act of 1934 (q.v.), which had been previously adopted especially by investment and odd lot dealers, for permitting small investors to buy bonds and the more conservative classes of stocks, by means of partial payments. The down payments, or initial deposits, were usually the same as margins required in margin buying. Monthly payments were then required until the full purchase price was paid. Interest was charged for the amount of the unpaid balance. Some dealers permitted as little as one share to be bought on this plan, with an initial deposit as low as $10.

The owner of a partial payment account could sell his securities in order to realize a profit which may have accrued on his securities, even though the balance was not yet paid. For this reason, the partial payment plan was closely akin to margin buying. In case of a sudden decline in the price of securities held, the broker was entitled to demand additional payments, though not yet due. (See Margin Buying.)

PARTICIPANT

A party—bank, investment house, etc.—which is invited to take, and accepts membership in, a distributing syndicate organized for the purpose of selling an issue of securities, or to which is given a share or partial interest in a loan granted by another bank. (See Participation Loans, Participations.)

PARTICIPATING BONDS

Bonds, also known as dividend or profit-sharing bonds, which, in addition to bearing a minimum fixed rate of interest, are entitled to share in additional payments from profits of the issuing corporation. Participating bonds differ from Income Bonds (q. v.), in that while the minimum interest rate is fixed in the former, and is an enforceable obligation, the maximum rate is only nominal in the latter, and is subject to non-payment, or partial payment, or full payment only if earned. The additional participation by participating bonds above the minimum fixed rate may be limited by a certain maximum rate or else the participating bonds may share in the earnings ratably with, and as fully as, the equity securities (preferred or common stock).

Participating bonds are not common. Like Convertible Bonds (q. v.), they are securities which attempt to combine creditor status of bonds with the ownership appeal and right to net profits of the equity. They are sometimes secured, oftentimes being collateral trust bonds, but most often are unsecured debentures "sweetened up" with such participating features.

PARTICIPATING PREFERRED STOCK

See Preferred Stock.

PARTICIPATION

The portion or share of securities which is allotted each member of a distributing syndicate, known as a participant, by the syndicate managers when an issue of securities is floated by a syndicate. The amount of participation allotted each member depends upon the size of the bank (in the case of Government and municipal securities, which banks are still allowed to underwrite) or investment banking firm or securities dealer, the size of the territory served, the ability of the member to dispose of previous allotments, etc.

The interest of each member of a joint account is also known as a participation. (See Joint Account, Syndicate.)

PARTICIPATION CERTIFICATE

See Participation Loans.

PARTICIPATION LOANS

Loans made by one bank in which another bank is given a part interest. This is a common practice among many of the larger banks in the money centers, which maintain accounts with interior banks, by which

the latter are given an investment outlet for their available funds in time and demand loans. This method of investing available funds of bank correspondents is a convenient one for the latter, since the loans can be made and terminated at their option and without inconvenience. Small correspondent banks use this method of investing temporarily idle funds as a substitute for commercial paper. The correspondent bank usually allows the bank in which the deposits are kept to select the names of the paper in which the participation is granted.

Care must be taken not to permit a participation loan which exceeds the participant's legal maximum loan to one borrower. Participation certificates, containing the details of the transaction, are issued to the participant, as evidence of the participation loan.

The following is a typical form of participation certificate:

No..... $.....

CERTIFICATE OF PARTICIPATION

issued by

Blank National Bank of New York

has allotted to .....Bank.....
in participation of .....
in a note for $ .....
made by .....
dated .....
with interest at .....% per annum.

PARTICULAR AVERAGE

In marine insurance, insurance with particular average, without limitation of percentage, covers any partial loss resulting from marine perils.

(See Average.)

PARTIES (TO A NEGOTIABLE INSTRUMENT)

The parties to a check are the drawer, payee, drawee, and indorsers; to a draft or bill of exchange, the drawer, drawee (called acceptor after he accepts it), payee (often the same party as the drawer), and indorsers; to a note, the maker, payee, and indorsers. (See Acceptor, Drawee, Drawer, Indorser, Maker, Payee.)

PARTNERS' CAPITAL

The amount of money contributed by the partners of a firm for investment in the partnership business. This term is also sometimes applied to the capital contributed by the stockholders of a corporation, presumably represented by the aggregate amount of preferred and common stock outstanding, as distinguished from the amount of capital represented by bonds and other forms of fixed indebtedness. Stocks are sometimes referred to as share capital while bonds, notes, mortgages, debentures, equipment trust certificates, etc., are called loan capital.

PARTNERSHIP

A form of business organization in which two or more persons (no limit as to the number in the United States) are associated for the purpose of carrying on business or professional activities for private pecuniary gain. It is a contractual relationship in which capital and skill are contributed, and profits or losses divided on an agreed basis. As distinguished from a corporation, no formal legal proceedings in the way of a charter or franchise from the State are necessary, although legal incidents of the partnership are governed by State laws, some of the States having enacted the Uniform Partnership Act and the Uniform Limited Partnership Act. The State of New York enacted the former law in 1919, and the latter law in 1922. A partnership and its constituent members are not legally distinct. They are jointly and severally liable for the debts contracted by the partnership and by one another. This form of organization is subject to unlimited liability, each member being personally liable for the debts of the partnership contracted by any other member thereof, and in case of insolvency, members are liable to the full extent of their property. A partnership is automatically dissolved by the death or incapacity of one of its members.

PASS A DIVIDEND

When a board of directors omits to declare a regular and expected dividend, it is said to pass the dividend.

PASS BOOK

A bank book; a book in which deposits, or deposits and withdrawals, are recorded. Pass books are provided both for commercial and savings accounts. In commercial checking accounts the pass book is merely a memorandum of deposits. It is neither a book of original entry nor a statement of account. The Deposit Slip (q. v.) is the original entry and the important record from a legal point of view. The non-savings account pass book is not a contract, as in the case of a savings bank pass book. Entries should not be considered as absolute receipts admissible as court records, but rather as acknowledgments of receipts of deposits corresponding in amount to the footing of the accompanying deposit slips. It is not necessary to present a pass book when making deposits in a commercial checking account. It is only necessary to fill out a deposit slip, a duplicate being rendered, if desired. The acceptance of a deposit for absolute receipt and credit, except for cash, is usually conditional upon the collection and payment of such deposit. Deposits of checks, in other words, are subject to final payment and therefore to cancellation of credit for such portions as may be returned unpaid.

In order that commercial depositors may understand the purpose of a pass book and the conditions under which deposits are accepted, a notation should be imprinted in the fly-leaf book, such as the following:

> This pass book is issued for the convenience of customers and is intended for a record of deposits only. It is not a book of original entry, nor a statement of account. Statements of account will be rendered monthly.
>
> All items, other than money, are subject to cancellation of credit if not paid on presentation. It must be understood that the liability of the bank is limited to the observance of due diligence in selecting its immediate correspondents for the presentation and collection of items in this city and elsewhere and that the indorsement, "Pay to any bank or banker", or its equivalent, shall not exceed such liability, and this bank will not be responsible for loss of any kind due to the acts of negligence of such correspondents in the selection of sub-agents for presentation and collection, etc., or for loss in or through the mails, or

for any failure to present, demand or collect on any Saturday or holiday.

The status of a savings account pass book is legally very different from that issued for a checking account. In savings bank practice, it is used as a voucher or receipt, both for money deposited and withdrawn. It must be presented whenever a deposit or withdrawal is made, and periodically for the credit of interest accumulated on the balance. It is also the evidence of the contract existing between the bank and the depositor. Whenever withdrawals are made the depositor is identified, not solely through the possession of the pass book, but in case he is not personally known to the teller, his signature is compared with that on record. Test questions may also be asked. Among illiterates, many savings banks use the finger-print method of identification.

A savings bank pass book is not negotiable, but may be assigned for the purpose of obtaining a loan, except where a bank prohibits assignments in its by-laws. (See Finger-Print Identification, New York Negotiable Instruments Law (Art. 19 A), Savings Banks.)

PAST DUE BILLS

See Overdue Bills.

PAWN

A pledge for the payment of a debt. In this country the term applies to the pledge of personal belongings—jewelry, furniture, clothing, musical instruments, etc.—for a loan from a pawn broker who is licensed, and permitted to exact extra-legal rates of interest. A pawnbroker requires the actual deposit of the articles pledged for the loan he provides, and is permitted to sell or otherwise dispose of articles pledged in case the loan is not paid at a specified maturity. In England, the term applies to the deposit of collateral as security for a bank loan, as distinguished from hypothecation in which the property itself is not deposited as security, but merely the evidence thereof, such as a mortgage, bill of lading, etc.

PAWNBROKER

See Pawn.

PAY DAY

Account or settlement day; the last day of the fortnightly settlement on the London Stock Exchange. (See Settlements.)

PAY TO BEARER

A negotiable instrument, e. g., check, draft, note, made payable to "bearer," "cash," or "currency" is payable to bearer, and title may be passed by delivery without indorsement. Instruments which are payable to bearer are known as Bearer Instruments (q. v.) and include all forms of money; checks, drafts, and notes made payable to bearer; coupon or bearer bonds; and coupons detached from bonds. (See Sec. 9, Uniform Negotiable Instruments Law; Sec. 28, New York Negotiable Instruments Law.)

PAY TO ORDER

A negotiable instrument which is made payable to order, and which can be negotiated only by indorsement and delivery. A check written "Pay to the order of John Doe" or "Pay to John Doe or order" is an order instrument, and must be indorsed by John Doe before it may be negotiated to another person. (See Sec. 8, Uniform Negotiable Instruments Law; Sec. 27, New York Negotiable Instruments Law; Negotiation.)

PAYABLE THROUGH THE CLEARING HOUSE

Some checks are stamped "Payable through the blank Clearing House," "Through the blank Clearing House," or similar expressions. Such checks cannot be presented at the drawee bank and cashed, but must be deposited for credit and in turn collected through the clearing house. Checks stamped in this way during the panic of 1907 aided the banks in increasing the supply of money, since clearing house balances were settled not by actual cash, but with clearing house loan certificates. These certificates passed as money between members only.

PAYABLE WITH EXCHANGE

See With Exchange.

PAYABLES

A general term in accounting used as a catch-all reference to the combined aggregate of notes and accounts payable. (See Accounts Payable, Notes Payable.)

PAYEE

The party (person, firm or corporation), in whose favor a check, note, draft, or money order is made payable. In the case of a note, the payee is the party to whom the promise to pay is made. The payee may be the maker, drawer, drawee or any third party. Where the instrument is payable to order, the payee must be named or otherwise indicated therein with reasonable certainty. (See Secs. 8, 41, 42, 43, Uniform Negotiable Instruments Law; Secs. 27, 71, 72, 73, New York Negotiable Instruments Law.)

PAYER

The party (person, firm or corporation) upon whom payment devolves, as in the case of a check, draft, note, or bond. In the case of a check, the payer is the drawer; in the case of a draft, the drawer (acceptor after he accepts it); in the case of a note, the maker; and in the case of a bond, the obligor (issuer). Makers of promissory notes and acceptors of bills are primary parties and their liability is unconditioned. (See Secs. 60, 130, 192, Uniform Negotiable Instruments Law; Secs. 3, 110, 214, New York Negotiable Instruments Law.)

PAYING BANK

The bank upon which a check is drawn (also known as the drawee bank), and which pays a check or draft to a collecting bank, or holder. In New York, the liability of paying banks has been defined and limited by amendment to Sec. 95, New York Negotiable Instruments Law (q.v.), as well as the entire Article 19-A of the New York Negotiable Instruments Law (q.v.), entitled Provisions for Bank Collections.

PAYING TELLER

The first teller; the most important teller of a bank. Although the paying teller is usually associated with the paying of cash against checks presented for payment, and the custodianship of that part of the bank's money stock necessary for counter use, his functions are considerably more comprehensive.

The following outline shows the functions of the paying teller in detail:

1. Paying out money—cashing checks, bank drafts and matured coupons, etc., upon identification.
2. Custodianship of money.
   a. Receiving
      (1) Shipments inward from correspondent or other banks.
      (2) From other banking departments, e.g., receiving teller, collection department, etc.
      (3) From original Government sources:
         (a) Federal Reserve Bank of district.
         (b) United States Treasury.
         (c) United States Assay Office.
   b. Counting, examining, strapping, and storing money.
   c. Redeeming worn and mutilated money at original sources.
   d. Detecting counterfeits and raised bills.
   e. Maintaining adequate supply of various kinds and denominations of money.
3. Shipping money to correspondent and other banks.
4. Certifying checks.
5. Settling clearing house balances.
6. Making disbursements for petty expenses.
7. Disbursing payroll cash.
8. Depositing excess cash with Federal Reserve bank or other depository or depositories.
9. Verifying signatures of principals of accounts.
10. Verifying stop-payments.
11. Proving daily work.

Oftentimes the work of counting and inspecting money, and of certifying checks is so heavy that separate sections are created; but always under the supervision of the paying teller. (See Certifications.)

PAYMENT FOR HONOR

The payment of a check or bill of exchange after it has been protested for non-payment by an outside party for the purpose of saving the honor of any person liable thereon. Such payment for honor should be attested by a notarial act of honor. The payer for honor is entitled to receive the bill and the notarial protest certificate upon which the notarial act of honor is appended. (See Secs. 171-177, Uniform Negotiable Instruments Law; Secs. 300-306, New York Negotiable Instruments Law.)

PAYMENT STOPPED

See Stop Payment.

PEGGED

See Pegged Prices.

PEGGED PRICES

The price of a security or commodity is pegged when it is not permitted by those in control to advance above or decline below, a certain fixed point. The market, as a whole, is pegged when prices remain stationary without moving perceptibly in one direction or the other. Pegging, fixing or stabilizing prices of securities on national securities exchanges is unlawful under Section 9 of the Securities Exchange Act of 1934 if in contravention of such rules and regulations as the Securities and Exchange Commission may prescribe as necessary or appropriate in the public interest or for the protection of investors. The Commission has permitted "stabilizing" of prices under regulation (see Manipulation).

Under the Commodity Exchange Act (Sec. 5 d), a commodity exchange may be designated by the Secretary of Agriculture as a contract market when the board of governors of the Exchange among other things provides for the prevention of manipulation of prices and the cornering of any commodity by the dealers or operators upon such exchange.

PENCE

The plural of Penny (q.v.). (See English Money Table).

PENGO

The former international currency unit of Hungary, which is now the forint. (See Foreign Moneys—table 2.)

PENNI

A minor currency unit of Finland, having a value of 1/100th of a markka. (See Foreign Moneys—table 2.)

PENNY

A name given to an English copper coin equal to 1/12th of a shilling, and approximately equal to 2 cents in United States money. The name is also given to the 1-cent piece in this country. (See English Money Table, Foreign Moneys—table 2.)

PENNY STOCKS

An expression sometimes used to denote stocks selling for less than $1, and quoted in cents.

PEPPER-McFADDEN ACT

An Act, also widely known as the McFadden Act, passed on February 25, 1927, which was also the month and day of enactment of the original National Bank Act (q. v.) of 1863. Up to its passage, this was the most important revision of the national bank laws since the passage of the Federal Reserve Act of 1913, but it related rather to national banks than to Federal Reserve banks.

The most drastic modification provided by this Act was the removal of some of the handicaps under which national banks had been competing with state commercial banks by permitting branch banking to national banks in states where the laws granted such powers to state institutions. Because of the greater liberality of most of the state laws in the matter of branch banking, there had been a strong tendency since World War I for a large number of national banks to convert to state charters. At the time of the passage of this Act, the position of the national banks was weaker than that of the state commercial banks, their number being less than half that of the state commercial banks, and their total resources, deposits and capital and surplus also being less than that of state banks and trust companies combined. The tendency toward abandonment of national bank charters in favor of state charters threatened to continue and weaken the Federal Reserve System, since only national banks are made compulsory members. In a report, the Comptroller of the Currency said: "Each time a national bank abandons its charter the Federal government loses an instrumentality through which it maintains a direct control over banking policy and banking operations. Each withdrawal con-

stitutes the loss of a unit in the basic membership of the Federal Reserve System.''

The McFadden Act equalized the powers of national banks and state commercial banks in the matter of branch banking. The aim of the Act was not to encourage branch banking in the broadest sense, e. g., as practiced in Canada and most European countries, but rather to limit branch banking to the degree enjoyed by state banks, which in no case permits banking by a state institution outside the state of incorporation. While the law placed national banks on the same legal basis as state banks, it went no further and perhaps did not go far enough. In no case could a national bank operate branches outside of the city in which it was located, even though, as in California, state banks were permitted to operate branches (with certain limitations) anywhere in the state. It was definitely prescribed that such state institutions as operated branches outside of the city in which the main office was located had to relinguish such branches or stay out of the Federal Reserve System.

Among the other provisions of the McFadden Act were:

(1) Permitted National banks, with approval of the Comptroller of the Currency, and by vote of 2/3rds of stockholders, to increase capital stock by a stock dividend, provided the remaining surplus were equal to at least 20% of the increase capital stock;

(2) Granted National banks the right to deal directly in investment securities (prior to the Act, National banks had no power to join underwriting syndicates or deal in investment securities except as purchasers for own account);

(3) Permitted National banks to have par values of less than $100 per share;

(4) Liberalized capital requirements to the extent that a National bank, notwithstanding the requirement of $200,000 minimum capital in cities of over 50,000, could be organized, subject to the approval of the Comptroller, with capital of less than $100,000 in outlying districts of such cities where the State laws permitted the organization of State banks with capital of $100,000 or less;

(5) Permitted a National bank to make 5-year first mortgage loans (whole loans, fractional interests not being considered real estate loans for the purposes of this provision) on 50% of value of improved real estate, including improved farm land, located within its Federal Reserve District or within a 100-mile radius from the head office, irrespective of District lines. Such real estate loans could aggregate 25% of capital and 25% of surplus, or 50% of savings deposits, at the bank's election.

PER CAPITA CIRCULATION

See Circulation of Money.

PER CAPITA DEBT

See National Debt.

PER CAPITA INCOME

See National Income

PER CAPITA WEALTH

See National Wealth.

PERCENT, PERCENTUM, PERCENTAGE

Interest rates, dividend rates and statistical comparisons are expressed by means of percentages, meaning hundredths. Thus, 6 per cent. interest on $100 for a year is $6.00, or 6/100ths. A 6 per cent. dividend on a share of stock of $100 par value is $6.00; $50 par value, $3.00; $25 par value, $1.50. A 6 per cent. interest rate on a $1,000 bond means interest of $60 annually; on a $500 bond, $30; and on a $100 bond, $6.

PER PRO

See Per Procuration.

PER PROCURATION

A signature given by an agent who has limited authority to sign for, or in behalf of, his principal. The authority may be given verbally, by power of attorney, or by other written evidence. Banks and trust companies frequently empower certain clerks to sign in this manner, especially where official signatures are required in volume, as for instance in the stock registrar and transfer agent business.

A signature by procuration operates as a notice that the agent's authority to sign is limited and that the principal is liable only if the agent acts within the actual limit of his authority. For this reason, persons accepting per pro signatures should ascertain the extent of the agent's authority in order to insure against the possibility of the agent exceeding such authority. The recipient of per pro signatures is entitled to a statement of authority for such signatures. A per pro signature may read either:

The Blank Bank
Per Pro John Doe

or

Per Pro Blank Bank
John Doe

The terms is abbreviated per pro, and p.p. (See Sec. 21, Uniform Negotiable Instruments Law; Sec. 40, New York Negotiable Instruments Law.)

PERIOD OF DISTRIBUTION

In syndicate operations, the duration of the offering period, during which the security is publicly offered through the members of the selling group. (see Syndicate).

The term most often refers to that period near the top of short term, intermediate and long term speculative cycles when the better informed and usually shrewder speculators take their profits and sell. (See Distribution, Period of).

PERMANENT ASSETS

Same as fixed or capital assets. (See Fixed Assets.)

PERMANENT CERTIFICATE

See Definitive Bond.

PERMANENT INVESTMENTS

Real estate, mortgages, stocks, bonds, etc., purchased with the intention of holding indefinitely (in the case of bonds, until maturity), for the primary purpose of deriving an income therefrom and without the intention of trading therein. Thus, bonds held by insurance companies or savings banks are generally regarded as permanent investments, whereas bonds held by an investment house in current position are trading assets.

PERPETUAL ANNUITY

See Annuity.

PERPETUAL BOND

A bond which has no prescribed maturity date. Some of the so-called perpetual issues have provision for optional redemption after a specified time, either at par, or a slight premium. British Consolidated 2 1/2s ("Consols") of 1888 have no maturity date, but are redeemable at any time at par on or after April 5, 1923 on such notice and in such amounts as Parliament may determine. Other foreign Government bonds and a few American corporation issues have been of this class, but they are not popular with issuers. A present example among railroad bonds are the Lehigh Valley Railroad Consolidated Perpetual 4 1/2s and 6s, which under a proposed 1948 debt adjustment plan are to be given a definite maturity of 1989 and be redeemable. Very long maturity bonds are in the nature of perpetual issues. For example, the West Shore Railroad's First 4s, due January 1, 2361, are perpetual bonds for all practical purposes. Such bonds are desirable institutional investments.

Perpetual bonds, in reality, are a contradiction in terms since by definition, a bond is a promise to pay both principal and interest on stipulated future dates. They are also known as Indeterminate Bonds (q. v.) and sometimes, but not properly, as Irredeemable Bonds (q. v.).

PERSONAL CHECK

A check drawn by an individual as distinguished from one drawn by a partnership, corporation, or bank.

PERSONAL CREDIT

Credit given to an individual, or to which an individual is entitled, as distinguished from that given a corporation, or partnership. (See Credit, Person Loans, Personal Security.)

PERSONAL ESTATE

See Personal Property.

PERSONAL HOLDING COMPANY

The Federal Revenue Act of 1934 for the first time defined personal holding companies and imposed special surtax rates on their undistributed profits, as a means of taxing this devise which had been developed by individuals seeking to reduce tax liability. Subsequently, the Revenue Act of 1937 broadened the definition and increased surtax rates as well as the base of taxation.

The definition of personal holding company now contained in the Internal Revenue Code is contained in Sec. 501, as follows:

The term "personal holding company" means any corporation if--

(1) Gross Income requirement.--At least 80 per centum of its gross income for the taxable year is personal holding company income as defined; but if the corporation is a personal holding company with respect to any taxable year beginning after December 31, 1936, then, for each subsequent taxable year, the minimum percentage shall be 70 per centum in lieu of 80 per centum, until a taxable year during the whole of the last half of which the stock ownership required by paragraph (2) below, does not exist, or until the expiration of three consecutive taxable years in each of which less than 70 per centum of the gross income is personal holding company income; and

(2) Stock ownership requirement.--At any time during the last half of the taxable year more than 50 per centum in value of its outstanding stock is owned, directly or indirectly, by or for not more than five individuals.

Exceptions.--The term "personal holding company" does not include--

(1) A corporation exempt from taxation under section 101 (which provides for exemptions from the income tax on corporations).

(2) A bank as defined.

(3) A life insurance company.

(4) A surety company.

(5) A foreign personal holding company as defined.

(6) A licensed personal finance company under State supervision, at least 80 per centum of the gross income of which is lawful interest received from individuals each of whose indebtedness to such company did not at any time during the taxable year exceed $300 in principal amount, if such interest is not payable in advance or compounded and is computed only on unpaid balances.

(7) A loan or investment corporation, a substantial part of the business of which consists of receiving funds not subject to check and evidenced by installment or fully paid certificates of indebtedness or investment, and making loans and discounts, and the loans to a person who is a shareholder in such corporation during such taxable year by or for whom 10 per centum or more in value of its outstanding stock is owned directly or indirectly (including in the case of an individual, stock owned by the members of his family as defined, outstanding at any time during such year do not exceed $5,000 in principal amount.

Corporation making consolidated returns.--If the common parent corporation of an affiliated group of corporations making a consolidated return under the provisions of section 141 (which regulates consolidated returns of corporations) satisfies the stock ownership requirement above provided, and the income of such affiliated group, determined as provided in section 141, satisfies the gross income requirement above provided, such affiliated group shall be subject to the surtax imposed by this subchapter. The preceding sentence shall apply only if the common parent corporation is a common parent of an affiliated group of railroad corporations, which would be eligible to file consolidated returns under section 141 prior to its amendment by the Revenue Act of 1942.

For complete statutory provisions on personal holding companies, see Chapter 2, Subchapter A of the Internal Revenue Code, Secs. 500-511, inclusive.

PERSONAL INCOME

See Income Tax, National Income.

PERSONAL LOAN BROKER

A type of licensed lender under Article IX of the New York State Banking Law. Any personal loan company or personal loan broker duly authorized to do business in 1932, when the article was revised by the Small Loan Act, was deemed to have a license to continue business under the revised article, which provides that no person, co-partnership, association or corporation shall engage without a license in the business of making loans of money, credit, goods or things in action in the amount of $300 or less. (See Personal Loan Company.)

PERSONAL LOAN COMPANY

The corporate existence of every personal loan company and personal loan association organized and oper-

ating in 1932, when the Small Loan Act was enacted in New York State, could be continued for the period specified in its certificate of organization or incorporation, or perpetually if no period was specified, provided such company or association within three months after passage of the act filed a certificate of continuation of corporate existence pursuant to Sec. 363 of the Banking Law in which shall appear a copy of the resolution adopted by vote of at least 2/3rds of the capital stock to continue the corporate existence.

As revised, Article IX of the Banking Law, pertaining to small loans, provides that no person, co-partnership, association or corporation shall engage without a license in the business of making loans of money, credit, goods or things in action in the amount of $300 or less. License requirements call for an annual license fee of $100 plus cost of investigation, and each applicant must prove that he or it has available for the operation of the business at the location specified, liquid assets of at least $25,000. Each applicant must also file a $5,000 bond. If the Superintendent of Banks finds that the financial responsibility, experience, character and general fitness of the applicant are such as to command the confidence of the community, and to warrant belief that the business will be operated honestly, fairly, and effectively, and will promote the convenience and advantage of the community, the Superintendent shall issue a license.

The Superintendent of Banks may at any time, and at least once a year, investigate the loans and business and examine the books, accounts, papers, records, etc. of every licensee. Every licensee annually on or before February 1st shall file a report with the Superintendent of Banks.

Every licensee may loan any sum of money, not exceeding $300, and may charge not exceeding 2 1/2% per month on any part of the unpaid principal amount of the loan not in excess of $100, and 2% per month on any remainder of the unpaid principal balance of the loan. Interest for the use of the money shall not be deducted or received in advance, and shall be computed on the unpaid principal balance, and shall not be compounded. In addition to the maximum rate of interest, licensed lenders may charge lawful fees actually and necessarily incurred, and no others, for filing, recording or releasing in any public office any instrument securing any loan. (See Small Loan Business.)

PERSONAL LOANS

In recent years, a number of commercial banks have followed the lead of the National City Bank of New York, which in 1928 instituted a Personal Loan Department. Such loans are made on one or two co-maker basis, with some banks requiring no co-makers. Some of the New York City banks extend personal loans at rate as low as 3.83% discount per annum. Personal loans are subject to Regulation W of the Board of Governors of the Federal Reserve System, regulating consumer credit.

Under Sec. 108 of the New York State Banking Law, a bank or trust company may be authorized by the Superintendent of Banks to operate a personal loan department at one or more of its authorized places of business, and upon such authorization, may charge interest at a rate not to exceed 12% per annum, inclusive of all charges incident to investigating or making any loan. No fee, commission, expense or other charge whatsoever shall be taken or contracted for except in case of default, when fines and actual expenses may be charged, but fines are limited to a maximum of 2% of the loan and in no event shall exceed $15.

The New York law further provides that personal loans may be repayable in equal or substantially equal instalments at regular periodic intervals of not more than one month over a period not to exceed 24 months, except that in the case of loans made for a period of one year or more, provision may be made for the omission of repayments during not more than three specified months. Personal loans may be made which do not bring the total unpaid loans made by such bank or trust company to any one borrower to an amount which exceeds:

(A) $3,500, if the office of the bank, trust company where the loan is made is located in a city having a population of more than 1,000,000;

(B) $2,500 if such office is located in a city having a population of not less than 300,000 and not over 1,000,000;

(C) $1,500 if such office is located in a city having a population of not less than 25,000 and not more than 300,000;

(D) $1,000 if such office is located in a village, town or city having a population of not less than 5,000 and not more than 25,000;

(E) $500 if such office is located in any other place.

The average amount owed by borrowers at the close of 1947 on regular personal loans of the National City Bank of New York was $301. General practice in New York City is to provide for term insurance on the life of the borrower, without medical examination. The combination of low rates and no co-maker required by some New York City institutions has provided effective competition to the personal loan finance companies operating under the Small Loan Act. (See Instalment Sales, Small Loan Business.)

PERSONAL PROPERTY

Legally, all property can be divided into two classes; personal property (personalty) real property (realty). Personal property consists of all tangible and intangible movable goods or possessions, e. g., money, securities, accounts receivable, merchandise, furniture, live stock, harvested crops, etc.

Personal property is bequeathed, the beneficiary being known as the legatee; whereas real property is devised, the beneficiary being known as the devisee. (See Chattels, Real Property.)

PERSONAL SECURITY

There are two general classes of security, personal and collateral. When a loan is made upon personal security, the note which evidences the debt is signed, not only by the maker, but also by another person having financial responsibility acting as indorser, surety, or guarantor. There is no implication that personal security is based upon the moral risk alone. The financial worth and capacity of the guarantor are also taken into consideration. In personal security, however, there is no specific pledge of collateral. (See Collateral, Guaranty.)

PERSONAL TRUST

See Living Trust, Trusts.

PERSONALTY

See Personal Property.

PERSONNEL DEPARTMENT

A department organized among the larger banks to co-ordinate the problems arising from securing an adequate supply and training of the clerical forces. The scope of the department may be indicated by the following outline of activities:

1. Engaging new employees, receiving applications and interviewing candidates for employment, and eliminating undesirable material.
   Records: Application form, references form, correspondence relating to employment, fidelity insurance applications.
2. Transferring employees.
3. Answering inquiries concerning former employees.
4. Training employees—general and banking education.
5. Attending to discharges of employees.
6. Making salary adjustments.
7. Preparing personal history cards, showing:—
   a. Name and address.
   b. Marital condition.
   c. Age.
   d. Telephone number.
   e. Antecedent educational history.
   f. Antecedent history.
   g. Date of entry.
   h. Initial salary.
   i. Department originally assigned to.
   j. Occupation in that department.
   k. Record of department transfers.
   l. Record of salary revisions with dates.
   m. Record of resignation or discharge with dates and reason.
8. Rating employees in degree of efficiency.
9. Preparing turnover and other statistics regarding the working force.
10. Making job analysis.
11. Promoting healthful employer-employee relations.
12. Conducting the house organ.

PESETA

The international currency unit of Spain. (See Foreign Moneys—table 2.)

PESO

The international currency unit of Argentina, Chile Colombia, Cuba, Dominican Republic, Mexico, Philippines and Uruguay. (See Foreign Moneys--table 2.)

PETROLEUM

See Oil.

PETTY CASH FUND

A fund from which is disbursed cash in payment of petty expenses, e. g., telegrams, postage, carfare, taxicab hire, small supplies, etc. Vouchers are kept for each disbursement and periodically petty expenses are analyzed and charged to various expense accounts. In the meantime they are held as a part of petty cash.

PFENNIG

In the 1924 revaluation of German currency, the reichspfennig succeeded the former pfennig as a minor currency unit of Germany, worth 1/100th of a reichsmark. (See Mark.)

PHILADELPHIA COMMERCIAL EXCHANGE

See Commercial Exchange of Philadelphia.

PHILADELPHIA PLAN

See Equipment Trust.

PHILIPPINE GOVERNMENT DEPOSITARIES

Since the independent Republic of the Philippines was proclaimed July 4, 1946, the designation of fiscal agents or depositaries in the continental United States by the Philippine Government no longer is subject to its former insular status. Under Section 15 of the Federal Reserve Act, deposit of public funds of the Philippine Islands was prohibited in any bank not a member of the Federal Reserve System.

PIASTER (PIASTRE)

The major current unit of Indo-China, and minor currency unit of Cyprus, Egypt, Lebanon, Sudan, Syria and Turkey. (See Foreign Moneys--table 2.)

PICE

A bronze minor currency unit of India, worth 1/4th of an anna. (See Foreign Moneys —table 2.)

PIE

A bronze minor currency unit of India, worth 1/12th of an anna. (See Foreign Moneys—table 2.)

PIG IRON

As defined by the American Iron and Steel Institute, pig iron is a metallic product, the result of blast furnace or electric smelting of iron ores, which is used as part or all of the initial metallic charge in steel making, puddling and producing molten metal for foundry use. Thus it is a basic product in the iron and steel industry. (See Business Barometers.)

PINCH

An expression sometimes used to indicate a sudden advance in prices. An advance in money rates would be called a money pinch or squeeze. If security prices suddenly advance when there is a large short interest in the market, the shorts are said to be pinched. (See Squeeze.)

PIT

A name given to the active center of trading in a commodity exchange. In the Chicago Board of Trade four pits are located on the trading floor, one each for wheat, corn, oats, and provisions. These are the points at which traders transact their business. Structurally, a pit consists of a series of concentric steps arranged in the configuration of an octagon, leading up from the outside and down to the center. This arrangement permits traders to communicate with each other in the minimum of space. The term pit is synonymous with market, except that only one commodity is dealt in at a single pit. A pit in a commodity exchange corresponds to a Post (q. v.) on a stock exchange.

Pit traders on the Chicago Board of Trade are broker members who trade for their own accounts. They correspond to floor traders on the New York Stock Exchange.

PIT TRADERS

See Pit.

PITTMAN ACT

An Act passed April 23, 1918, designed to aid in the stabilization of the currencies of China and India where a shortage of silver increased the world price of this commodity to the highest level in the recent years. The Act provided for the release of approximately 208 million standard silver dollars held in the Treasury as collateral for silver certificates. The silver purchasing provisions of this Act (effective June 1, 1920) provided for the replacement of this silver, and the United States mint was required to purchase the entire domestic silver output at a price of $1 an ounce until the entire amount should be replaced. Purchases under the Pittman Act ceased about July, 1923. American silver producers benefitted under the terms of this Act, since the mint paid $1 an ounce against an average world market price during 1921 of 63 cents, and during 1922, of 67 cents.

PLAIN BONDS

Debentures; unsecured bonds; certificates of debt.

Designation of title for such bonds usually is given a more appealing title than just "Plain Bonds", although one railroad, the Boston & Maine, did actually so entitle one of its issues outstanding years ago. (See Debenture Bonds.)

PLANT

A manufacturing establishment; production unit; works; factory; mill; the buildings, machinery, appliances, tools, implements, and equipment used in production. The fixed investment used to carry on a business.

PLANT ASSETS

The fixed assets of a business, except land, permanently employed for production. They include buildings, machinery, tools, instruments, implements, equipment, and appliances, against which a reserve for depreciation and obsolescence should be provided.

PLANT VISIT

A factory or plant inspection, or industrial survey, undertaken as a regular part of an investigation by an investment banker who frequently retains an industrial engineer to inspect the physical equipment, to determine the efficiency of production, the relation between costs and market prices, the probable future development of the territory served, and the need for and probable return on the new capital which is requested, and which he has been asked to provide by underwriting an issue of securities.

A plant visit is not usually undertaken when a commercial loan is sought, but is sometimes employed where conditions are without precedent, or where there is doubt whether the credit should be granted. When desirable, such an investigation in commercial banking practice need not be technical, since it is the financial condition rather than the plant condition which determines the safety of a short-term loan. It is only insofar as the plant condition may affect the financial condition that the plant visit may be particularly important. In the majority of cases, where it seems advisable at all, it can be undertaken by an experienced credit man or loan officer. The principal points to be considered are location, transportation facilities, plant layout, modernness of equipment, efficiency of workmen, and cost-accounting methods.

PLEDGE

When collateral, e. g., stocks, bonds, etc., is delivered to a bank as security for a loan, the delivery constitutes a pledge for the payment of a debt. A pledge implies a relinquishment of the property of the borrower and the transfer of its custody to the lender. The property pledged must be in negotiable form in order to permit the lending bank to assign it in case of the failure of the borrower to redeem his note. (See Collateral, Hypothecation, Pawn.)

PLEDGEE

The party to whom a pledge is made, i. e., to whom securities or other assignable property are pledged as security for payment of a loan. (See Pledge.)

PLEDGOR

One who pledges or hypothecates securities or other property as security for the payment of a loan. (See Pledge.)

PLUM

An expression indicating that a company has earned or is disbursing extraordinary profits in the form of an extra cash, or stock dividend; in other words, a Melon (q. v.).

PLUNGE

An expression which denotes reckless speculation on a large scale. A plunger is one who takes enormous risks in the expectation of correspondingly large gains.

PLUNGER

See Plunge.

POINT

The unit in which fluctuations in quotations and by which gains and losses are expressed in stocks, bonds, or commodities. On the stock exchange a point is $1.00, although the smallest quotation unit is 1/8 of a point, 12 1/2 cents for stocks and $1.25 for bonds (except for Government bonds, which are traded in 1/32nds).

In cocoa, coffee, copper, cotton, hides, lead, pepper, rubber, soybean oil, sugar and zinc trading, a point is equal to 1/100 of a cent per pound, which is also the smallest quotation unit. Thus, a fluctuation of 25 points would be 1/4 of a cent per pound in these commodities.

POLICY

A written contract between the insurer and the person insured. The policy specifies in detail the terms and conditions under which the parties are bound, the property covered, and the risks insured against in consideration of payment of the premiums. Basic provisions of insurance policies within each major class of insurance--life, fire and casualty--are subject to State regulation and standardization in the industry, but new forms of coverage developed over the years and variables in terms allow for sales appeal and competition among companies. (See Insurance.)

POOL

This term has two meanings:

(1) A combination of persons—brokers, professional traders, or other interests—who organized for the purpose of exploiting a certain stock or stocks. A. W. Atwood (The Exchanges and Speculation) defines a pool to be: "A number of persons uniting or joining their interests for the purpose of buying or selling and thus increasing or depressing the price of one or more securities or commodities."

There was a definite prearranged agreement to divide the loss or gain among the members and which gave the manager of the pool sole power to conduct its operations. While the pool agreement was in force, its members agreed not to trade individually in the security or commodity being exploited. In other words, a pool was a joint venture or temporary association of speculators. In order to be successful, the pool had to have organization, capital, knowledge of fundamental conditions, and had to be able to distribute its holdings to the public at a higher price than that at which they were accumulated.

Pools were the most usual, but least objectional, form of manipulation, and it may be said in their favor that combinations in purchases and sales were not limited to the stock market, but occurred in other lines of business. Furthermore they were by no means always successful. It soon became apparent when a pool was working so that it was not impossible for observing outsiders to take advantage of its operations, which, if carried too far, was likely to defeat its purpose and result in a loss for its members. The terms clique, syndicate, and ring were sometimes used with much the same significance as pool.

Different speculative pools were given special names in accordance with the type of agreement entered into among its members. Thus, there were inside pools, blind pools, bobcat pools, etc.

In the voluminous report of the Senate Banking Committee, which investigated all phases of stock market activities in 1933, the following statement in regard to pools is found:

"The testimony before the sub-committee again and again demonstrated that the activity fomented by a pool creates a false and deceptive appearance of genuine demand for the security on the part of the purchasing public and attracts persons relying upon this misleading appearance to make purchases which relieve the pool of its holdings in the end.

"Attempts have been made to differentiate between 'beneficent' pools and 'nefarious' pools. Pools, operated for the purpose of stabilizing the market prices during periods of secondary distribution or while liquidating blocks of stock held by estates or creditors have been placed in the category of 'beneficent' pools; whereas pools operated merely for the purpose of raising the price of securities so that the participants might unload their holdings of increased prices have been characterized as 'nefarious' pools.

"From the viewpoint of the purchaser outside of the pool circle, there is no substantial or ethical difference in these two types of pool. Although the purpose may be different, the means employed are identical.

"In all cases, fictitious activity is intentionally created and the purchaser is deceived by an appearance of genuine demand for the security. Motive furnishes no justification for the employment of manipulative devices."

Accordingly, the Securities Exchange Act of 1934 prohibited pool operations under penalties (see sec. 9).

(2) A type of combination among large industries and especially railroads. Railroads began to organize themselves in traffic pools as early as 1860. The traffic pool provided for a combination of business among the railroads entering it. Arrangements were made whereby each railroad was allocated that proportion of the total traffic originating at any competitive point which represented the percentage it would have carried under normal competitive conditions. In short, a definite percentage was determined upon and guaranteed to each carrier. Due to difficulties of apportionment, the traffic pool was abandoned for the money pool which was in full operation by 1870, at which time practically all railroads were in some kind of a pool. In the money pool, instead of apportioning actual tonnage among the railroads, according to some prearranged percentage, gross receipts from traffic were pooled and apportioned on a pre-determined percentage basis. Deposits of money were required to secure a pledge of good faith to the pool agreement. Pools were prohibited by the Interstate Commerce Act of 1887.

POPULATION

The following table shows the population of the continental United States by census years from 1790 and 1940, together with increase and percentage increase from one decade to another:

Census Year	Population	*Increase	Per Cent Increase
1790	3,929,214	.....	.....
1800	5,308,483	1,379	35.1%
1810	7,239,881	1,931	36.4
1820	9,638,453	2,399	33.1
1830	12,866,020	3,228	33.5
1840	17,069,453	4,203	32.7
1850	23,191,876	6,122	35.9
1860	31,443,321	8,251	35.6
1870	38,558,371	8,375	22.6
1880	50,155,783	10,337	30.1
1890	62,947,714	12,792	25.5
1900	75,994,575	13,047	20.7
1910	91,972,266	15,978	21.0
1920	105,710,620	13,738	14.9
1930	122,775,046	17,064	16.1
1940	131,669,275	8,894	7.2

* 000 omitted.

Since 1940, estimates as of July 1st by the Bureau of the Census of population in the continental United States, exclusive of armed forces overseas, have been as follows:

July 1	Estimated Population
1940	131,954,144
1941	133,060,045
1942	133,770,500
1943	133,966,319
1944	132,552,005
1945	132,018,525
1946	139,893,406
Jan.1,1947	141,892,185

As the first table above shows, the rate of growth of population in the United States has slowed down con-

siderably. In each of the first two 40-year periods, i.e., from 1790 to 1830 and from 1830 to 1870 population trebled. In the third 40 year period 1870 to 1910 the increase was about 2 1/2 times. In the 40 years ended 1930 population did not quite double. In the first 70 years of the 140 year period ended 1930 each decade showed a gain of at least 30% the largest gain having been 36.4% in the decade ended 1810. In the last 80 years ended 1940, however, the rate of growth has declined so that the largest gain for any decade was 30.1% for 1880, and for the last decade ended 1940, the gain was only 7.2%, the lowest gain for any decade.

Voluntary restrictions on immigration have operated to reduce to a minor factor the part that immigration has played in population growth in recent decades. Immigration of Orientals is prohibited, and at the present time, immigration from other countries except North and South America, is controlled by the quota provisions, effective July 1, 1929, of the Immigration Act of 1924. These provisions fix the total number of admissible aliens eligible for citizenship at 150,000 annually, plus a small number admissible outside the quota. The quota for any given nationality is calculated at a figure which bears the same ratio to 150,000 as the number of inhabitants in the United States of that national origin in 1920 had to the total number of inhabitants in the continental United States. As the result of the quota restriction on immigration, the number of aliens admitted from all countries declined in the decade ended 1940 to 528,431, compared with 4,107,209 for the 1930 decade; 5,705,811 for the 1920 decade; 8,795,386 for the 1910 decade which witnessed the greatest inflow of immigration, including the record year 1907, when 1,285,349 aliens were admitted, 3,687,564 for the 1900 decade; and 5,246,613 for the decade ended 1890. Since 1940, immigration has totaled only another 426,965, as follows: 1941, 51,766; 1942, 28,781; 1943, 23,725; 1944, 28,551; 1945, 38,119; 1946, 108,721; and 1947, 147,292. These figures all indicate gross immigration, without allowance for emigration and deportation.

Natural increase in population, therefore, arising from the excess of births over deaths, is the main reliance of the United States for population growth. Fluctuation in birth and death rates, and excess of birth rate over death rate per 1,000 population, since 1920 have been as follows:

Year	Birth Rate	Death Rate	Excess
1920	23.7	13.1	10.6
1921	24.2	11.7	12.5
1922	22.3	11.8	10.5
1923	22.2	12.3	9.9
1924	22.4	11.7	10.7
1925	21.5	11.8	9.7
1926	20.7	12.2	8.5
1927	20.6	11.4	9.2
1928	19.8	12.6	7.2
1929	18.9	11.9	7.0
1930	18.6	11.4	7.2
1931	17.8	11.1	6.7
1932	17.3	10.9	6.4
1933	16.6	10.7	5.9
1934	17.2	11.0	6.2
1935	17.0	10.9	6.1
1936	16.8	11.5	5.3
1937	17.1	11.3	5.8
1938	17.6	10.6	7.0
1939	17.3	10.6	6.7
1940	17.9	10 8	7.1
1941	18.9	10.5	8.4
1942	21.0	10.4	10 6
1943	21.5	10 9	10.6
1944	20 2	10.6	9.6
1945	19.6	10.6	9.0
1946	23.3	10.1	13.2
1947	26.2	10.1	16.2

As the result of the sharp increase in the birth rate following World War II, which will probably continue at high levels for several years more before resuming "normal" rates, previous projections of population growth into the future have been accelerated by an estimated 10,000,000.

In distribution of population among the States, the most substantial population gains in the decade 1930-1940, and in the period 1940-1946, have occurred among the Pacific States, as the table on page 535 on Population Shifts shows.

World population is estimated to have increased in the past three centuries from about 400 million to over 2 billion, and at its present rate of increase, it is projected that world population will be doubled in another 70 years and total about 3 billion by the end of the 20th century. This expansion in population poses the problems of food supply, fertility and productivity of the land, and "living space" for peoples, and emphasizes the conclusions reached by Malthus that food supply at best tends to increase only arithmetically, whereas population, if left unchecked in growth, tends to increase geometrically and thus impinges upon food supply.

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PORPHYRY

The name given to any compound rock or ore, but in finance, applied particularly to a copper mine containing ore reserves, but ore of comparatively low grade. By extension, the term is used to refer to a copper company, or to that group of copper companies, which extract copper from low grade copper ores, as distinguished from the companies engaged in developing mines containing native copper, or ore with a high copper content. The porphyry copper companies are also known as the high cost producers, due to the fact that the cost of developing low grade ores is greater than that of developing high grade ores.

PORTFOLIO

A term used in a loose sense to refer to holdings of loans and securities. A Federal Reserve Bank is said to have "added to its portfolio of bill holdings," or a bank to have liquidated its portfolio of Government securities. The portfolio of an investment company, likewise, is its total list of security holdings.

Population Shifts

State	*1930 Census	*1940 Census	Per Cent Increase	----Estimates---- *July 1, 1940	*July 1, 1946	Per Cent Increase
Alabama	2,646	2,833	7.1	2,827	2,808	−0.7
Arizona	436	499	14.4	506	623	23.1
Arkansas	1,854	1,949	5.1	1,951	1,885	−3.4
California	5,677	6,907	21.7	6,981	9,551	36.8
Colorado	1,036	1,123	8.4	1,136	1,138	0.2
Connecticut	1,607	1,709	6.3	1,710	1,964	14.8
Delaware	238	267	12.2	269	287	6.7
District of Columbia	487	663	36.1	679	843	24.2
Florida	1,468	1,897	29.2	1,914	2,310	20.7
Georgia	2,909	3,124	7.4	3,113	3,128	0.5
Idaho	445	525	18.0	531	472	−11.1
Illinois	7,631	7,897	3.5	7,893	8,028	1.7
Indiana	3,239	3,428	5.8	3,437	3,767	9.6
Iowa	2,471	2,538	2.7	2,541	2,544	0.1
Kansas	1,881	1,801	−4.2	1,799	1,861	3.4
Kentucky	2,615	2,846	8.8	2,856	2,746	−3.9
Louisiana	2,102	2,364	12.5	2,365	2,520	6.6
Maine	797	847	6.3	848	876	3.3
Maryland	1,632	1,821	11.6	1,835	2,187	19.2
Massachusetts	4,250	4,317	1.6	4,314	4,590	6.4
Michigan	4,842	5,256	8.6	5,289	6,065	14.7
Minnesota	2,564	2,792	8.9	2,799	2,821	0.8
Mississippi	2,010	2,184	8.7	2,184	2,100	−3.9
Missouri	3,629	3,785	4.3	3,797	3,776	−0.6
Montana	538	559	3.9	560	478	−14.6
Nebraska	1,378	1,316	−4.5	1,315	1,276	−3.0
Nevada	91	110	20.9	112	135	17.0
New Hampshire	465	492	5.8	493	517	5.0
New Jersey	4,041	4,160	2.9	4,163	4,304	3.4
New Mexico	423	532	23.1	535	529	−1.1
New York	12,588	13,479	8.7	13,469	13,742	2.0
North Carolina	3,170	3,572	12.7	3,583	3,641	1.6
North Dakota	681	642	−5.7	638	537	15.8
Ohio	6,647	6,908	3.9	6,905	7,517	8.9
Oklahoma	2,396	2,336	−2.5	2,327	2,225	−4.4
Oregon	954	1,090	14.3	1,103	1,453	31.7
Pennsylvania	9,631	9,900	2.8	9,865	10,024	1.6
Rhode Island	687	713	3.8	712	745	4.6
South Carolina	1,739	1,900	9.3	1,896	1,909	0.7
South Dakota	693	643	−7.2	639	548	−14.2
Tennessee	2,617	2,916	11.4	2,930	2,998	2.3
Texas	5,825	6,415	10.1	6,423	6,959	8.3
Utah	508	550	8.3	555	637	14.8
Vermont	360	359	−0.3	360	353	−1.9
Virginia	2,422	2,678	10.6	2,734	2,986	9.2
Washington	1,563	1,736	11.1	1,752	2,254	28.6
West Virginia	1,729	1,902	10.0	1,912	1,807	−5.5
Wisconsin	2,939	3,138	6.8	3,141	3,168	0.9
Wyoming	226	251	11.1	255	263	3.1
Total U. S.	122,775	131,669	7.2	131,954	139,893	6.0

*000 omitted. −Decline.

Note: Official Census figures are as of April 1st; estimates exclude armed forces overseas.

Source--Bureau of the Census.

POSITION

A term used with reference to future contracts, based on the names of the month in which such contracts mature, i. e., delivery becomes due. In all of the future markets, e. g., grain, cotton, sugar, coffee, etc., contracts for delivery at some future date, designated by months, are bought and sold. For example, a contract which matures next December, is known as a December position. The Commodity Exchange Authority of the U. S. Department of Agriculture reports daily the volume of trading and open interest in commodity futures trading upon Regulated Commodity Exchanges.

The current trading inventory of securities of security dealers is called the position.

POSITION SHEET

A name given to an accounting summary designed to show the commitments of a bank or foreign exchange house in foreign currencies. A position sheet is usually prepared daily to show exactly the bank's position with regard to its foreign balances, and the total amount for which it is commited, both on spot and future contracts. In reality, it is a summary of the foreign exchange ledgers, and shows whether the bank is long or short of, each foreign currency. If a bank is long in its sterling position, the aggregate of its sterling accounts, with correspondents abroad will show a net credit balance on the latters' books. A bank is short of sterling when the opposite condition is true, i. e., when the aggregate of sterling accounts with correspondents abroad shows a net debit balance on the latters' books. Thus, a bank is short of sterling when it has not only exhausted available sterling balances against which it can sell sterling drafts, but has overdrawn such accounts, leaving a net debit balance which must be made good. To "even up" accounts it will be necessary for the bank to "cover," that is, to purchase sterling.

In determining the position for each day, future contracts are considered, as well as spot. The position sheet shows the average cost and current marke rate of all commitments and approximately shows the bank's daily profit or loss in each foreign currency.

Bibiography

C. J. Gersbach: Foreign Exchange Control 1945.

POST

A point or position on the floor of a stock exchange at which certain groups of stocks are bought and sold, so called because a post which indicates what stocks are traded in is erected at that point. There is a particular post for certain stocks and brokers interested in specified stocks must transact business at the designated post. Posts in a stock exchange correspond to pits in the Chicago Board of Trade, or other commodity exchange.

POST-DATED CHECK

A check that is dated ahead, i. e., bearing a date that has not yet arrived. A bank has no authority to pay a post-dated check. It may pay checks only when dated as of the day of presentation, or a date prior thereto. A check is a bill of exchange drawn on a bank payable on demand, and must be presented for payment within a reasonable time after its issue or the drawer will be discharged from liability thereon to the extent of the loss caused by the delay (Secs. 185, 186, Uniform Negotiable Instruments Law; Secs. 321, 322, New York Negotiable Instruments Law). Consequently, a post-dated check in effect is an order to pay a sum certain in money at a future time, and since a bank will not honor a post-dated check, it becomes essentially a promise to pay on the part of the drawer.

POST-OFFICE MONEY ORDER

See Money Orders.

POSTAL MONEY ORDER

See Money Orders.

POSTAL SAVINGS SYSTEM

Established in 1911 under the Postal Savings Act of 1910, at a time when National banks were not authorized to carry savings deposits. The major purpose of the Act, therefore, was to provide a nation-wide system of savings offices in post offices which would provide savings facilities for communities without such. National banks were authorized to carry savings accounts under the Federal Reserve Act in 1913, and the Postal Savings System, although continuing to function, did not carry much of a line of deposits until beginning in 1931 and continuing to the present, the volume of deposits has expanded relatively sharply.

The System is supervised by the Trustees of the Postal Savings System. The Trustees, under the Act are authorized to redeposit the funds deposited in the System with banks located in the same locality where the deposits are received, upon the posting by the banks of eligible Government securities as security, and payment of 2 1/2% interest. In view of this high interest rate, and the lack of Government bonds yielding a suitable return under present low money rates, most banks have not been interested in carrying Postal Savings deposits.

The following information about the U. S. Postal Savings System is provided by the Post Office Department under circular revised in July, 1946:

Safety.--The faith of the United States is solemnly pledged to the payment of the deposits made in postal-savings depository offices, with accrued interest. (Act of Congress approved June 25, 1910.)

Who may deposit.--Accounts may be opened and deposits made by any competent person of the age of 10 years or over in his or her own name, without regard to the residence of the depositor, but no person may at the same time have more than one postal-savings account either at the same post office or at different post offices. Deposits will be accepted only from individuals, and no account will be opened in the name of any corporation, association, society, firm, or partnership, or in the names of two or more persons jointly; neither will an account be opened in the name of one person in trust for or on behalf of another person or persons.

Privacy of accounts.--No person connected with the Post Office Department or Postal Service is permitted to disclose the name of any depositor or to give any information concerning a particular account to any person other than the holder, unless directed to do so by the Postmaster General. The account of a married person is free from any control or interference by the husband or wife.

How to open an account.--An account may be opened in person, through a representative, or by mail. If possible, an intending depositor should appear in person at a depository office or station to open an account. However, if a depositor, because of infirmity or other sufficient reason, is unable to appear in person, he may send a representative who will be given an application form, which the depositor will fill out, sign, and return to the postmaster with the deposit. If the local post office is not authorized to accept postal-savings deposits or if a depositor prefers to keep his account at some other office, an account may be opened by mail at any depository office, and an application form for this purpose may be obtained at or through the local post office.

Nuisance accounts.--The Postal Savings System was

instituted for the purpose of encouraging thrift and to provide a safe depository for the accumulation of savings. No postmaster is required to open an account if it is evident that the depositor desires merely to leave his funds in a safe place for a few hours or otherwise to make unreasonable use of postal savings facilities.

Deposits.--Postal savings deposits, which may be made in person, through a representative, or by mail, are evidenced by certificates which are issued in denominations of $1, $2, $5, $10, $20, $50, $100, $200, and $500. The certificates are made out in the name of the depositor, serve as receipts, and are valid until paid. They are not negotiable or transferable. Certificates which have been lost, stolen, or destroyed will be replaced by new ones, and the postmaster at any depository post office will assist the depositor in applying for them. No depositor may have to his credit more than $2,500, exclusive of accumulated interest, and this amount may be deposited at one time if desired. No account may be opened for less than $1, nor will fractions of a dollar be added to an existing account.

Withdrawals.--The depositor may at any time withdraw all or any part of his deposits, with any interest payable thereon, from the post office where the deposits were made. Withdrawals may be made in person, through a representative, or by mail. As a postmaster may be temporarily short of available funds, it may be necessary at times to give advance notice of withdrawals, particularly if the amount is large.

Interest.--Postal savings deposits earn interest at the rate of 2 per cent a year. (Because of orders by the State Commissioner of Banking and Insurance, the rate in New Jersey was reduced to 1 per cent July 1, 1939, and raised to 1 1/2 per cent July 1, 1946. Because of a similar order, the rate in Mississippi was reduced to 1 per cent March 1, 1945.) A deposit made on any day of the month begins to earn interest on the first day of the next succeeding month, which date is entered on the certificate evidencing the deposit. For each complete quarter-of-a-year period following this date a fourth of a year's interest is collectible. If it is desired to collect only the accrued interest on a deposit, it may be done by exchanging the certificate for a new one; but if a depositor desires to avoid any interest loss in such an exchange of certificates, at least a year's interest must be payable and the exchange must be made during the first month of an interest quarter. For example, for a deposit made in December, 1936, the date "January 1, 1937," would have been entered on the certificate as the "Date when interest begins," and to avoid loss of interest the certificate should be presented in January, April, July, or October of 1938, or any succeeding year. If further information concerning interest computation is desired, a leaflet, Form PS 100, may be obtained from any depository post office.

Deceased depositors.--When a depositor dies and a legal representative of the estate has been appointed by a court of competent jurisdiction, the Post Office Department will authorize payment to the legal representative upon receipt of satisfactory evidence of his authority to collect. If there is no legal representative of the estate and the amount on deposit is such that administration of the estate is not required by the laws of the State in which the account is held, the Post Office Department will authorize payment direct to the surviving spouse, heirs, next of kin, or preferred creditors in accordance with the laws governing the distribution of personal property in the State where the account is held or where the decedent lived, whichever controls.

Taxability.--The question of whether postal savings deposits are subject to taxation has not been passed upon by the courts, but it is believed that such deposits and the interest paid thereon may be taxed by State, county, and municipal authorities unless exempted as a matter of policy or by specific legislation. Local tax officials will furnish definite information upon request. Postal savings deposits are subject to estate and inheritance taxes. Interest credited to postal savings accounts on moneys deposited prior to March 1, 1941, in the various depository offices is wholly exempt from Federal income tax. Interest credited to postal savings accounts on moneys deposited on or after March 1, 1941, is, however, not exempt from income taxes now or hereafter imposed by the United States.

Additional information.--If further information about the Postal Savings System is desired, apply at any postal savings depository post office or address the Third Assistant Postmaster General, Division of Postal Savings, Washington 25, D. C.

The growth of deposits in the Postal Savings System is indicated by the table shown on page 538.

POSTED RATES

(1) Rates quoted daily by bankers dealing in foreign exchange indicating the price at which a certain currency is offered for sale. While posted rates govern for small transactions, they differ from actual rates made directly between bankers or brokers and large buyers, which fluctuate constantly during the day and do not necessarily correspond with posted rates. When actual rates are quoted, they must be accepted immediately when offered. They do not hold firm unless so stated.

(2) The term also applies to the rate for call money quoted on the New York Stock Exchange. Here too, the posted rates may differ from actual rates at which money is being loaned. Posted rates are also called nominal rates.

POSTIL

A term used by bookkeepers to denote an explanatory marginal note written against an item in a journal or ledger. The Boston ledger provides postil spaces.

POTATOES

Futures trading in potatoes is conducted on the Chicago Mercantile Exchange and the New York Mercantile Exchange, both of which are Regulated Exchanges designated for futures trading by the Secretary of Agriculture and regulated by the Commodity Exchange Administration.

Unit of trading on the Chicago Mercantile Exchange is 450 bags (45,000 lbs.), the minimum fluctuation or "point" being 1¢ per 100-lb. bag, or $4.50 per contract. Daily trading limits above or below previous close is 25¢ per 100-lb. bag, or a maximum range of 50¢ per bag. Non-member commission rate to buy or sell one contract is $15.

Unit of trading on the New York Mercantile Exchange is 500 bags (50,000 lbs.). Otherwise, the same information as above applying to the Chicago Mercantile Exchange applies also to the New York Mercantile Exchange. (See Chicago Mercantile Exchange.)

Postal Savings Systems

Assets and Depositors' Balances
(in millions)

		Assets			
Dec. 31	Depositors Balances (1)	Total	Cash in Depository Banks	Total U.S.Govt. Securities	Cash Reserve Funds, etc. (2)
1911	$11	$11	$10	.....	$1
1912	28	28	26	.....	2
1913	40	40	37	.....	2
1914	59	60	56	$1	3
1915	74	76	69	1	6
1916	112	115	107	2	6
1917	143	148	139	3	6
1918	168	172	146	18	8
1919	161	168	130	30	8
1920	163	171	55	105	10
1921	146	154	44	103	8
1922	132	141	56	77	8
1923	131	142	63	72	8
1924	133	139	98	33	8
1925	134	141	100	33	8
1926	139	148	106	33	8
1927	149	158	116	34	8
1928	154	163	129	25	9
1929	164	174	138	26	10
1930	245	253	209	27	17
1931	606	616	511	70	35
1932	902	920	793	71	56
1933	1,209	1,235	914	200	120
1934	1,207	1,237	540	597	100
1935	1,201	1,237	287	853	98
1936	1,260	1,296	145	1,058	93
1937	1,270	1,308	130	1,097	80
1938	1,252	1,291	86	1,132	73
1939	1,279	1,319	53	1,192	74
1940	1,304	1,348	36	1,224	88
1941	1,314	1,396	26	1,274	95
1942	1,417	1,464	16	1,345	102
1943	1,788	1,843	10	1,716	118
1944	2,342	2,411	8	2,252	152
1945	2,933	3,022	6	2,837	179
1946	3,284	3,387	6	3,182	200
1947	3,417	3,525	6	3,308	212
May 31,1948	3,395	3,509	6	3,291	211

(1) Outstanding principal, represented by certificates of deposit.
(2) Includes working cash with postmasters, 5 per cent reserve fund and miscellaneous working funds with Treasurer of the U. S., accrued interest on bond investments, and accounts due from late postmasters.
Source--Board of Governors of the Federal Reserve System.

POUND

(1) A unit of weight, equivalent to the following equivalents: 16 ounces; 7,000 grains; 454 grams; 0.454 of a kilogram; and 14.58 troy ounces.

(2) The international currency unit of Australia, Bahama Islands, Bermuda, British West Africa (Gold Coast, Nigeria), Cyprus, Egypt, England, Falkland Islands, Irish Free State, Jamaica, Malta, Nassau, New Guinea, New Zealand, Northern and Southern Rhodesia, Solomon Islands, South West Africa, Sudan, Syria, Turkey, and Union of South Africa. The English pound is the currency unit of Bechuanaland, Cayman Islands, and Gibraltar. The New Zealand pound is the currency unit of British Samoa. The Australian pound is the currency unit of Tonga Islands.

The English pound, better known as the pound sterling (to distinguish it from the unit of weight) has 3.58134 grams of fine gold. A troy ounce of fine gold, therefore, is worth 8.68486 pounds sterling, or 173 shillings,

8.367 pence. An American dollar at par value is worth 0.248139 of a pound sterling, or 4 shillings, 11.553 pence. Par value of each pound sterling is $4.03 American dollars.

The pound sterling is also known as the sovereign. It derives its name from the fact that it originally represented a pound of silver. The modern penny, likewise, was originally a pennyweight of silver, and 240 pennyweights made the pound sterling. The pound sterling still consists of 12 shillings or 240 pence. (See English Money Table; Foreign Moneys, Tables 1 and 2; Sterling Area.)

POUND STERLING

The international currency unit of England (United Kingdom). (See English Money Table; Foreign Moneys, Tables 1 and 2; Sterling Area.)

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POWER OF ATTORNEY

A document witnessed or acknowledged, authorizing the person named therein to act in place of the signing party. A power of attorney may be general or special. In the latter, the authority of the agent is limited, and is valid only for acts defined therein. In financial transactions, a power of attorney is usually special or limited, and is frequently used in the transfer of stock certificates and proxies for voting. It must set forth the powers conferred upon the agent. The common form of assignment and power of attorney approved by the committee on stock list of the New York Stock Exchange for the purpose of transferring stock, and appearing on the reverse side of most certificates, is as follows:

For value received .....
I (We) .....hereby sell, assign and transfer unto .....
.....shares of the capital stock represented by the within certificate and do hereby irrevocably constitute and appoint .....attorney to transfer the said stock on the books of the within named company with full power of substitution in the premises.
Dated .....

In the presence of .....
(See Proxy.)

POWER OF SUBSTITUTION

A form which is stamped or written on the reverse side of a stock certificate when an attorney has been named for the purpose of transferring the stock and who, according to the terms of the power of attorney, is given the privilege of appointing a substitute.

In such cases, the following form is signed by the attorney appointed in the assignment. The substitute is named in the body of the Power of Substitution.

I (or We) hereby irrevocably constitute and appoint .....
my (or our) substitute to transfer the within named stock under the foregoing Power of Attorney, with like power of substitution.
Dated .....

In the presence of .....
(See Power of Attorney, Stock Transfers.)

POWERS OF NATIONAL BANKS

See National Banking System.

PREFERENCE BONDS

Another name given to what are usually railroad income or adjustment bonds, especially when issued in series, as first, second and third; or Series "A," Series "B", Series "C". Interest on preference bonds is paid on each series in the order of preference; thus interest may be earned and declared on Series "A" and "B", but not on Series "C". (See Income Bonds.)

PREFERENCE INCOME BONDS

Same as Preference Bonds (q. v.).

PREFERENCE SHARES (STOCK)

The English equivalent for preferred stock in America. The term is also used in America in preferred stock nomenclature to designate different classes of preferred stock, such as Prior Preference Stock (q. v.). (See Preferred Stock.)

PREFERRED CREDITOR

One who has preferred claims which legally take precedence over those of other creditors. For instance, in the dissolution of an insolvent company, the claims of laborers for wages, of the Government for taxes, and mechanics' liens, take precedence over all others whether secured or unsecured. (See Liabilities.)

PREFERRED DIVIDENDS

See Preferred Stock.

PREFERRED STOCK

Stock which has a claim upon the earnings (and sometimes upon the assets and control) of a corporation prior to the common or other class of stock. Preferred stock represents an equity in the corporation which ranks after all bonds and floating debt, but ahead of common stock. Dividends must be paid upon the preferred stock before any distribution may be made to the common stockholders. Sometimes preferred stock is issued in series, e. g., "Preferred A", "Preferred B", etc., or "Class A", "Class B", etc., or "First Preferred Stock", "Second Preferred Stock", etc. In such cases, dividends must be paid on the first series before a distribution can be made on the second, and on the second before on the third.

Dividends on preferred stock may be "cumulative" or "non-cumulative". A cumulative dividend is one which if not paid in one year, carries over from year to year and accumulates, i. e., in case profits are not sufficient to pay the dividend at the full rate in any given year, then they are said to be in "arrears", and constitute a claim on earnings so long as unpaid prior to dividends on the common stock. Common stockholders are, therefore, not entitled to receive dividends so long as dividends upon cumulative preferred stock remain in "arrears". Non-cumulative dividends are a prior claim in any given year; but in case profits are insufficient to pay the dividend in full, there is no obligation on the part of the corporation to make up the deficiency in any subsequent year prior to dividends on the common stock. In other words, the dividends not paid in

any given year would be lost to the stockholders forever. The courts have held that dividends upon preferred stock are "cumulative", unless otherwise stated.

Dividends upon preferred stock may be at a fixed rate or on an "if earned" basis. Dividends on the latter income basis are payable if earned and if declared by directors. This feature is related to the cumulative or non-cumulative provisions, and if earned, the dividend may or may not accumulate according to whether the dividend is cumulative or not.

Preferred stock may also be preferred as to assets, and as to control. But in no case are preferences more than those specifically set forth. When preferred as to assets, the full par value of the preferred shares must be paid, in case of dissolution or insolvency, before any payment (liquidating dividend) is made to the common shareholders. Prior claims as to voting sometimes rest with the preferred stock, but usually this class of stock has no voting power, the theory being that the common stockholders, bearing the greater part of the risk, should have the control. In other cases of less frequent occurrence, preferred and common stockholders rank equally in voting power.

Preferred stocks have been referred to as "hybrid" securities, affording the disadvantages of fixed return and lack of voting power of bonds, while at the same time affording none of the legal rights and recourse upon default that bonds provide, because of their status as equities. However, as senior equities, preferred stocks have their appeal for income purposes. Their range of yields varies with quality and stability of earnings of the issuer, and many high grade preferred stocks fluctuate in accordance with the trend of money rates similar to high grade bonds. Normally, high grade preferred stocks afford somewhat better returns than those available on high grade bonds.

The attractiveness of preferred stocks may be increased by additional provisions designed to provide further features for the investor who purchases this class of securities. Some of these measures to secure further protection are: (1) preference as to assets; (2) "cumulative" dividends; (3) limited issue; (4) provision for partial or total redemption of the issue at some subsequent date by means of a sinking fund, and usually at a premium; (5) provision requiring that net current assets shall at all times equal or exceed the amount outstanding; (6) provision requiring that net surplus be kept at a certain percentage of capital; (7) provision for automatically placing control in the hands of preferred stockholders in case of failure to pay dividends, etc.

Participating preferred stock carries the right to earn dividends in excess of the specified dividend rate in an amount equal to the rate paid upon the common stock. Under this arrangement, the preferred stockholders share in extreme prosperity along with the common stockholders without relinquishing any of their rights of priority, and in no case can common stockholders receive dividends at a higher rate than the preferred stockholders.

Convertible preferred stock gives the owner the option of converting his preferred shares into common shares at a stated rate of exchange. In case of appreciation of the market value of the common shares, a profit might be made by converting. Thus, participating preferred and convertible preferred stock have additional speculative attractions.

Preferred stocks create a special type of ownership with less risk than common stock, but with definite limitations of control and income. (See Capital Stock, Stock Certificate.)

PREMISES

This term has two meanings:

(1) The introduction of a legal document, such as a deed, conveyance, or mortgage, which sets forth the parties and subject matter, and which is referred to in the document as the premises.

(2) In banking, the term is used as synonymous with Banking House (q. v.).

PREMIUM

This term has four meanings:

(1) The percentage or price which a security commands over its face value. A share of stock of $100 par value selling at 110 is at a premium of 10 per cent., or $10 a share. The amount of premium is based upon par value and if the par value of a stock is $50 and sells for $60, it is at a 20 per cent., or $10 premium. The opposite of Discount (q. v.). For the mathematics and accounting involved in writing off the premiums on bonds, see Amortization.

(2) Gold or silver coin is at a premium when it is necessary to pay more than statutory face value for it in paper money of the same denomination. In this sense, it means the same as the term Agio (q. v.) on the continent of Europe.

(3) The annual, or less frequent, sum paid by an insured party upon an insurance policy.

(4) The price paid on an option contract or other privilege. (See Privileges.)

PREMIUM BONDS

Bonds which are retired at their maturity (or at an optional prior date) at an amount above their par value customarily much higher than the ordinary premium involved in interim call of ordinary bonds, which are retirable at maturity at face amount of principal, without premium. The size of the premium in premium bonds gives them a lottery appeal. Such bonds are not permitted in this country, but are rather frequent among European Government bonds. (See Lottery Bonds.)

Bonds bought or quoted at a premium are sometimes (but in a loose sense) called premium bonds.

PRESENT STANDARD OF WEIGHT AND FINENESS

Most bonds and other long time contracts still outstanding and calling for the payment of money specify that the amount due shall be paid in gold coin of the United States according to the "Present Standard of Weight and Fineness". The purpose of this specification was to avoid future litigation in case any question arose as to the kind of money in which the debt was payable, or in case of a change in the coinage laws to avoid payment in a depreciated currency.

The Joint Resolution of Congress of June 5, 1933 declares that "every provision contained in or made with respect to any obligation which purports to give the obligee a right to require payment in gold or a particular kind of coin or currency, or in an amount in money of the United States measured thereby, is declared to be against public policy; and no such provision shall be contained in or made with respect to any obligation hereafter incurred. Every obligation, heretofore or hereafter incurred, whether or not any such provision is

contained therein or made with respect thereto, shall be discharged upon payment, dollar for dollar, in any coin or currency which at the time of payment is legal tender for public and private debts.''

PRESENT VALUE

The current or today's worth of a certain sum of money due on a specified future date, after taking interest into consideration. The proceeds or net avails of a discounted note are its present value at a given rate of interest. The term is also used of other conceptions involving complicated mathematical formula, as the present worth of a series of fixed payments due at regular intervals, e. g., an annuity; also of a deferred payment, e. g., an overdue note in which compound interest must be computed. (See Discount.)

PRESENTATION

A term meaning the same as Presentment (q. v.), the latter term being the more correct usage.

PRESENTATION DRAFT

Same as Demand Draft. (See Draft.)

PRESENTMENT

The exhibiting of a matured note, draft, or bill of exchange to the maker or drawee for payment is known as a presentment for payment. When a draft or bill of exchange is handed to the drawee for acceptance, it is known as a presentment for acceptance. Notes and bills of exchange should be presented on the due date in order legally to hold the indorsers. A notarial protest certificate is legal evidence of formal presentment and refusal to pay (or accept). (See Secs. 70-88, Uniform Negotiable Instruments Law, Secs. 130-148, New York Negotiable Instruments Law, Presentment for Payment; Sec. 143-151, Uniform Negotiable Instruments Law, Secs. 240-248, New York Negotiable Instruments Law, Presentment for Acceptance; Notarial Protest Certificate.)

PRICE

The value of anything exposed for sale expressed in money terms; exchange value in money terms; amount of money necessary to purchase goods and services, or money asked by a seller to relinquish title to goods or services. Actual price means sale price; asked price is the price placed upon goods by a seller, i. e., offering price; bid price is that which a buyer is willing to pay; blanket price is that named for an entire lot of miscellaneous goods; cash price is the amount of money that must be paid at the time goods are sold or delivered; close prices indicate that bid and offering prices vary but fractionally; closing prices refer to the last price for the day on the exchange or organized market; cost plus price is the price determined by adding a stipulated fixed profit or percentage profit to the actual cost as in the case of Government manufacturing contracts; current price is that which prevails at the present; Exhaust Price (q. v.); fair price is one that takes into consideration all factors of value, giving the seller a ''normal'' profit and without injustice to the buyer; firm price (see Offered Firm); Issue Price (q.v.); list price is one published in a price catalogue or schedule from which discounts at varying rates may be offered; Making-Up Price (q. v.); market price is that currently prevailing in the market; Mint Price of Gold (q. v.); net price is that after deducting discounts and allowances; nominal price is an approximation to the market price or a bookkeeping price; offered price is that which a seller is willing to take; opening price is the price of the first sale on the market; quoted price is that named by a seller for communication with possible buyers; selling price is that at which sales actually occur; settling price is the same as making-up price; unit price is the pro rata price of a single unit in a lot; upset price is the lowest price that will be accepted, and is a term used at auction or foreclosure sales. (See Prices, Value.)

PRICE INDEX NUMBERS

See Index Numbers.

PRICE MOVEMENTS

See Business Cycle, Fluctuating Principle, Index Numbers, Speculative Cycle, Swings.

PRICES

Prices, the universal expression of the exchange value of goods and commodities, are the most important factor in production and consumption in a capitalistic system, for upon adequate selling prices in relation to costs of production depends the volume of production for future sale, and upon reasonable selling prices depends the effectiveness of demand and consumption. Thus the behavior of prices, pricing policies and price control have been the subject of much study and controversy, particularly as to the role Government should play.

The variability of prices varies directly with the remoteness of the commodity or goods from actual consumption. Finished goods in the hands of retailers tend to vary least in price, whereas primary commodities in the hands of suppliers to processors and manufacturers are most sensitive to changes in price. In theory, prices should be the result of the free play of the law of supply and demand in a capitalistic system. However, in the more mature capitalistic societies, the established interests of producers and labor, the difficulties and unwillingness to incur adjustments to changes in price, and the dependence upon given prices of many estimates or guesses for profitable production, tend to make the law of supply and demand rarely freely operative. Instead, ''institutional'' devices such as price fixing, control of supply, and division of markets are natural efforts in the interests of stability.

Price quotations on securities and commodities on the various exchanges and commodity markets are published and reported daily. The Securities Exchange Act of 1934 and the Commodity Exchange Act prohibit manipulation of prices in securities and commodities. Thus prices of securities and commodities traded upon the exchanges are among those prices most truly reflecting supply and demand. (See Bid Price, Bids and Offers, Exhaust Price, Index Numbers, Market Averages, Quotations.)

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PRIMARY DEPOSITS

Deposits which arise from actual lodgment in a bank, of cash or its equivalent, as distinguished from derivative deposits which are deposit credits, created by granting loans and crediting the borrowers' accounts for the proceeds.

PRIMARY LIABILITY

A direct liability as distinguished from a contingent one. (See Liabilities.)

PRIMARY MARKET

See Market.

PRIMARY POINTS

The large cities in the West where grain is received from the country districts, and stored in elevators and warehouses, to be distributed to the various consuming centers as needed. The chief primary points are Chicago, Minneapolis, Duluth, Kansas City, St. Louis, Detroit, Toledo, and Buffalo.

PRIMARY RECEIPTS

Total daily receipts of grain at the Primary Points (q. v.).

PRIME

An expression used to indicate that an investment, whether a bond, acceptance, or commercial paper, is first class, high grade, gilt-edge, conservative, etc.

PRIME BILLS

See Prime.

PRIME INVESTMENTS

See Prime.

PRIME PAPER

See Prime.

PRINCIPAL

This term has two applications:

(1) The face amount or par value of a note, or other evidence of debt; that is, the amount exclusive of interest or premium which the holder is entitled to receive at maturity. It is also the sum on which interest is computed.

(2) The amount of money employed for profit or interest-bearing purposes; the fund invested for the purpose of yielding an income under the name of interest, as distinguished from such income.

PRIOR LIEN

See Lien.

PRIOR LIEN BONDS

These bonds are not necessarily, as the title might imply, first mortgage bonds. Prior lien bonds are those secured by a mortgage taking precedence over another or other mortgages against the company's property. The title generally occurs only among railroad issues and it is necessary to investigate the terms of the mortgage in order to determine the exact nature of the security. (See Lien.)

PRIOR PREFERENCE STOCK

A rare title denoting that two or more classes of preferred stock have been issued, but that the prior preference stock is entitled to dividends in full before the second or third class receives anything. It is more usual, when preferred stock is issued in series, to designate it as first, second and third preferred stock, or as Series, or Class A, Class B, Class C, etc.

PRIOR PREFERRED STOCK

A title having practically the same significance as first preferred stock. (See Prior Preference Stock.)

PRIOR REDEMPTION

When redeemable or optional bonds are called for redemption at a date prior to the obligatory maturity, the act is called prior redemption. Unless provision is made in the terms of an issue, bonds are not subject to prior redemption. (See Optional Bonds.)

PRIOR SALE

See Offered Firm.

PRIORITIES

The claims of creditors against a business, estate, or landed property have certain priorities or preferences. For the priority of claims against insolvent businesses, see Liabilities. For the preferences accorded preferred stockholders, see Preferred Stock. In the case of an estate, the New York Statutes affecting priorities are found in the Surrogate's Court Act (Secs. 212, 216, 222 and 285). Every executor or administrator shall pay, out of the first moneys received, the reasonable funeral expenses of the decedent, which expenses shall be preferred to all debts and claims. Payment of legal and proper expenses of administration and the statutorily prescribed commissions of the executor or administrator is also authorized. Debts of the decedent shall also be paid before distributions to the distributees, debts ranking in the following prescribed priorities:

(1) Debts entitled to a preference under the laws of the United States and State of New York;

(2) Taxes assessed on property of the deceased prior to his death;

(3) Judgments docketed and decrees entered against the deceased according to the priority thereof; and

(4) All recognizances, bonds, sealed instruments, notes, bills and unliquidated demands and accounts.

PRIVATE BANKS

Private banking, conducted either as a partnership or individual proprietorship, as distinguished from incorporated banking, is the oldest form of banking. The private banking houses of Europe for centuries have played an important role in European banking, and in the United States, various private banking houses occupy positions of comparable influence and prestige.

Until passage of the Banking Act of 1933 (q. v.), Congress had not referred in Federal statutes to private bankers, and their supervision and regulation was left to the States. In some States, such as New York, private banks are now regulated in detail comparable to incorporated banks, but in other States, regulation has been liberal, while in others, engaging in the banking business is denied to unincorporated firms.

Congress in Sec. 21 of the Banking Act of 1933 provided that after the expiration of one year after the date of enactment of the Act, which was June 16, 1933, it shall be unlawful for any person, firm, corporation, association, business trust, or other similar organization, engaged in the business of issuing, underwriting, selling, or distributing, at wholesale or retail, or through syndicate participation, stocks, bonds, debentures, notes or other securities, to engage at the same time to any extent whatever in the business of receiving deposits subject to check or to repayment upon presentation of a passbook, certificate of deposit, or other evidence of debt, or upon request of the depositor. This general prohibition does not prohibit National banks or State banks or trust companies (whether or not members of the Federal Reserve System) or other financial institutions or private bankers from dealing in, underwriting, purchasing, and selling investment securities to the extent permitted to National banks under Sec. 5136 of the Revised Statutes. Nor is this to be construed as in any way affecting such right as any bank, banking association, savings bank, trust company, or other banking institution, may otherwise possess to sell, without recourse or agreement to repurchase, obligations evidencing loans on real estate.

Section 21 of the Banking Act of 1933 further provided that it shall be unlawul for any person, firm, corporation, association, business trust, or other similar organization to engage, to any extent whatever with others than his or its officers, agents or employees, in the business of receiving deposits subject to check or to repayment upon presentation of a pass book, certificate of deposit, or other evidence of debt, or upon request of the depositor, unless such person, firm, corporation, association, business trust, or other similar organization--

(A) Shall be incorporated under, and authorized to engage in such business by the laws of the United States or of any State, Territory, or District, or

(B) Shall be permitted by any State, Territory, or District to engage in such business and shall be subjected by the law of such State, Territory, or District to examination and regulation, or

(C) Shall submit to periodic examination by the banking authority of the State, Territory, or District where such business is carried on and shall make and publish periodic reports of its condition, exhibiting in detail its resources and liabilities, such examination and reports to be made and published at the same times and in the same manner and under the same conditions as required by the law of such State, Territory, or District in the case of incorporated banking institutions engaged in such business in the same locality. (As amended by the Banking Act of 1935.)

Prior to passage of the Banking Act of 1933, most private banking houses combined the business of receiving deposits subject to check, doing a foreign exchange, acceptance, loan or discount business, and purchasing, selling and distributing securities through underwriting and participation in underwriting groups. Thus, Section 21 of the Act forced such private banking houses to make an election between their commercial banking and deposit business, and their securities business. The private banking house of J. P. Morgan & Co., for example, accordingly elected to stay in the banking business, and is now incorporated as a State institution entitled J. P. Morgan & Co., Inc. The securities business of the firm was "divorced" and independently organized as the partnership, Morgan Stanley & Co.

Congress also provided in the amended Sec. 8 of the Clayton Act, pertaining to interlocking directorates, that no private bankers shall be at the same time directors, officers or employees of any other bank, banking association, savings bank, or trust company organized under the National Bank Act or organized under the laws of any State or of the District of Columbia, or any branch thereof, except that the Board of Governors of the Federal Reserve System may by regulation permit such service as directors, officers or employees of not more than one other such institution or branch thereof.

The New York State Banking Law defines a private banker as an individual or partnership duly authorized by the Superintendent of Banks to engage in the business of private banker pursuant to Article IV of the Banking Law. Any individual or partnership desiring to engage in business as a private banker shall submit to the Superintendent a verified certificate stating:

1. Full name, residence and post office address of such individual or of each member of such partnership;
2. The state or country of which each individual named in such certificate is a citizen;
3. The amount of permanent capital such individual or partnership will invest in the business as private banker, which shall be not less than--

$400,000 if the office is to be located in a city having a population of more than 100,000;

$300,000 if the office is to be located elsewhere.

3. The place where the office is to be located.

If the Superintendent issues an authorization certificate, such individual or partnership may engage in the business of banking, including receiving deposits subject to check or for repayment upon the presentation of a passbook, certificate of deposit, or other evidence of debt, or upon the request of the depositor, or in the discretion of such individual or partnership; receiving money for transmission; discounting or negotiating promissory notes, drafts, bills of exchange or other evidences of debt; and buying or selling exchange, coin, or bullion, at the office specified in the authorization certificate. In conducting such business, a private banker may make use of the words "bank", "banker", or "banking" or their equivalent or any derivative or compound thereof.

The office of a private banker shall not be located in the same room with or in a room connecting with any bank, trust company, savings bank or National bank.

Every private banker shall segregate and keep separate and apart from all other property and assets of the individual or partnership, all securities and property

and the evidences of title thereto, in which funds held by him as a private banker have been invested. This requires a segregation of his permanent capital and moneys received on deposit.

Every private banker shall maintain total reserves against his deposits of the same amount and kind and on hand or on deposit to the same extent as is at the time required by or pursuant to the Banking Law for a bank doing business in the same place.

Restrictions on acceptance of deposits and payment of interest.--No private banker shall:

(1) Accept any amount for deposit if after the acceptance of such deposit, the average amount of the deposits received from all depositors during the 12 months period ending upon the day on which such deposit is tendered, or during such period if less than 12 months that such private banker has been engaged in business, would be less than $1,000.

(2) Pay or credit interest or pay, credit or give any bonus or gratuity or thing of value on any deposit balance, if the average of the daily credit balances in such deposit account during the period for which interest is paid or credited, is less than $7,500.

Restrictions on investments.--1. Every private banker may, subject to the limitations and restrictions contained in Article IV of the Banking Law, make such investments of funds held by him as a private banker, in real and personal securities, or personal property, as are consistent with safety and prudence of management.

2. No private banker shall appropriate to his own use or lend to any person with whom he is associated as a partner, or invest in any business conducted by a partnership of which he is a member, any funds held by him as a private banker.

3. No private banker shall after June 30, 1938, make with funds held by him as a private banker, any loan to or investment in the capital stock of any corporation of which 50% of the capital stock is owned or controlled directly or indirectly, or as a result of any such investment would be so owned or controlled by such private banker, as a private banker and as an individual, or if such private banker is a partnership, by such partnership and the individual members thereof, if as a result thereof, the total amount of outstanding loans and investments so made after such date will exceed 10% of his permanent capital with respect to any one such corporation, or will exceed 25% of his permanent capital with respect to all such corporations.

Rate of interest.--No private banker shall take, receive, reserve or charge on any loan or discount made, or upon any note, bill of exchange, or other evidence of debt, interest at a rate greater than 6% per annum, except that upon demand advances of $5,000 or over, upon warehouse receipts, bills of lading, certificates of stock, certificates of deposit, bonds or other negotiable instruments, any sum may be charged which may be agreed upon by the parties to such transaction.

No private banker shall after June 30, 1938 purchase any real estate with funds held by him as a private banker except a plot upon which there is or may be erected a building suitable for the convenient transaction of his business; nor make a loan of such funds directly or indirectly upon the security of real estate in excess of 2/3rds of the appraised value of such real estate, or in an amount which added to the amount unpaid upon prior mortgages, liens and encumbrances upon such real estate, exceeds 2/3rds of such appraised value; or if such real estate is subject to a prior mortgage, lien or encumbrance, and the amount unpaid upon such senior liens exceeds 10% of the permanent capital of such private banker.

All real estate acquired by a private banker in satisfaction or reduction of loans of funds held by him as a private banker shall be sold within 5 years after the date of acquisition, unless extended by the Superintendent of Banks.

From the foregoing sections of Article IV of the New York State Banking Law, it is apparent that private bankers in New York State are now subject to the most detailed regulation in their history. Motivating the New York State statutes also were several failures among private banking firms under the former statutes which accentuated the need for closer regulation.

PRIVATE WIRE

Banks, investment houses, and members of stock and commodity exchanges frequently lease telephone or telegraph wires for their own exclusive use, or jointly with other parties, for the purpose of keeping in immediate and convenient contact with their branches or correspondents located in other places, or with certain other houses in the larger centers.

PRIVATE WIRE HOUSES

Members of the New York Stock Exchange, New York Curb Exchange, Chicago Board of Trade, etc. which maintain private wire connections with their branches or correspondents located in other cities and towns throughout the country. Because of the costly overhead involved in maintaining such systems of private wires in recent years of reduced trading volume on the stock exchanges, the number of large wire houses has declined, often through mergers. The number of private wire houses which are members of the New York Stock Exchange is indicated by the total of 605 member firms which maintained a total of 915 branch offices throughout the country as of a recent date. Because of their large public patronage, the wire houses are generally advocates of low commission rates, free services and other measures designed to attract public participation.

PRIVILEGE BROKER

A broker who deals in privileges, e. g., puts, calls, spreads, and straddles. (See Privileges.)

PRIVILEGE OF REGISTRATION

Coupon bonds are sometimes issued with the option given the holder to have them registered, either as to principal and interest, or as to principal only. (See Registered Bonds.)

PRIVILEGED BONDS

A generic title given to convertible bonds and bonds with warrants attached. (See Convertible Bonds, Stock Purchase Warrant.)

PRIVILEGED COMMUNICATION

See Libel.

PRIVILEGES

A general term to include specific financial contracts made with the view of permitting one of the parties to exercise some right, option or privilege, such as to purchase securities or commodities, for a limited time, a price being paid for such privilege. Specific forms of

privileges are the Option (q. v.), Put (q. v.), Call (q. v.), Spread (q. v.), Straddle (q. v.).

According to the rules of the New York Stock Exchange, privileges are not permitted to be dealt in on the floor, but members may deal in them on the outside, and indorsement by members of the New York Stock Exchange is a feature of Put and Call options offered by Put and Call brokers and dealers.

PROBATE

Upon the death of a testator, his will must be proved. Probate is the term generally applied to the formal establishment and proof of execution of a document as the last will and testament of the deceased. In its broader legal meaning, probate refers to all matters over which probate courts, variously designated among the States as Probate Court, Surrogate's Court, Orphans' Court, etc., have jurisdiction. Probate proceedings are initiated by the filing of petition for probate of the will by specified interested persons. After a will has been admitted to probate by decree of the probate judge or surrogate, any person entitled to Letters Testamentary (q. v.) thereunder who is competent by law to serve and who appears and qualifies, will be issued such authority to act under the will.

PROCEEDS

This term has three applications:

(1) The sum which a borrower receives from a bank when a note is discounted. The proceeds are equal to the face amount of a note, less the discount, and are sometimes known as the net avails. (See Discount.)

(1) The sum realized from the sale of any property, whether securities, commodities, land, etc., after deducting the expenses of sale.

(3) The sum collected upon a check after deducting exchange, or collection charges.

PRODUCE EXCHANGES

Spot markets in produce (perishable provisions such as butter, eggs, vegetables, fish, poultry, etc.) are maintained in most consumption centers of population, and in the larger cities, such produce markets are supplemented by public markets operated by the municipality.

Produce exchanges designated by the Commodity Exchange Administration as authorized contract markets are the Chicago Mercantile Exchange and the New York Mercantile Exchange, both of which are contract markets in butter, eggs and potatoes. The Chicago Mercantile Exchange also maintains a contract market for trading in onions. The New York Produce Exchange maintains a contract market for trading in cottonseed oil, soybean oil and black pepper.

For a list of commodity exchanges and commodities traded in, see Commodity Exchanges. Other important markets located throughout the United States are as follows:

Market	Location
American Cotton Waste and Linter Exchange	Boston, Mass.
Atlanta Commercial Exchange	Atlanta, Ga.
Augusta Cotton Exchange	Augusta, Ga.
Baltimore Chamber of Commerce	Baltimore, Md.
Birmingham Grain Dealers Association	Birmingham, Ala.
Boston Grain and Flour Exchange, Inc.	Boston, Mass.
Buffalo Corn Exchange	Buffalo, N. Y.
Cairo Board of Trade	Cairo, Ill.
Charleston Cotton Exchange	Charleston, S. C.
Chicago Livestock Exchange	Chicago, Ill.
Cincinnati Board of Trade, Inc.	Cincinnati, Ohio
Clarksdale Cotton Exchange	Clarksdale, Miss.
Dallas Cotton Exchange	Dallas, Texas
Denver Grain Exchange Association	Denver, Colo.
Des Moines Board of Trade	Des Moines, Iowa
Detroit Board of Trade	Detroit, Mich.
Enid Board of Trade	Enid, Okla.
Fort Worth Grain and Cotton Exchange	Fort Worth, Texas
Galveston Cotton Exchange and Board of Trade	Galveston, Texas
Greenwood Cotton Exchange	Greenwood, Miss.
Houston Cotton Exchange and Board of Trade	Houston, Texas
Hutchinson Board of Trade	Hutchinson, Kans.
Indianapolis Board of Trade	Indianapolis, Ind.
Little Rock Cotton Exchange	Little Rock, Ark.
Los Angeles Cotton Exchange	Los Angeles, Calif.
Memphis Cotton Exchange	Memphis, Tenn.
Memphis Merchants Exchange	Memphis, Tenn.
Mobile Cotton Exchange	Mobile, Ala.
Montgomery Cotton Exchange	Montgomery, Ala.
National Wool Exchange	Boston, Mass.
New Orleans Board of Trade	New Orleans, La.
New Orleans Green Coffee Association	New Orleans, La.
New Orleans Sugar and Rice Exchange	New Orleans, La.
New York Cocoa Exchange, Inc.	New York, N. Y.
New York Coffee and Sugar Exchange, Inc.	New York, N. Y.
New York and New Jersey Livestock Exchange	Jersey City, N. J.
Norfolk Cotton Exchange	Norfolk, Va.
Ogden Grain Exchange	Ogden, Utah.
Omaha Grain Exchange	Omaha, Neb.
Peoria Board of Trade	Peoria, Ill.
Philadelphia Commercial Exchange	Philadelphia, Pa.
Pine Bluff Cotton Exchange	Pine Bluff, Ark.
Pittsburgh Grain and Hay Exchange	Pittsburgh, Pa.
Richmond Grain Exchange	Richmond, Va.
St. Joseph Grain Exchange	St. Joseph, Mo.
Salina Board of Trade	Salina, Kans.
Savannah Cotton Exchange	Savannah, Ga.
Sioux City Grain Exchange	Sioux City, Iowa
Texarkana Cotton Exchange	Texarkana, Ark.-Texas
Toledo Board of Trade	Toledo, Ohio
Topeka Board of Trade	Topeka, Kans.
Vicksburg Cotton Exchange	Vicksburg, Miss.
Wichita Board of Trade	Wichita, Kans.
Yazoo City Cotton Exchange	Yazoo City, Miss.

PRODUCTION AND MARKETING ADMINISTRATION

An agency in the U. S. Department of Agriculture, established on August 18, 1945 by the Secretary of Agriculture, to operate the Commodity Credit Corpora-

tion and integrate with it related activities and departments in the Department of Agriculture. Administrator is also president of the Commodity Credit Corporation.

Organization includes the Commodity Credit Corporation, nine commodity branches (Cotton, Dairy, Fats and Oils, Fruits and Vegetables, Grain, Livestock, Poultry, Sugar and Tobacco), four staff offices, and eight other branches. The Price Support and Foreign Supply Branch coordinates branch operations with Commodity Credit Corporation operations. (See Commodity Credit Corporation.)

PRODUCTION CREDIT ASSOCIATIONS

The Farm Credit Act of 1933 provided for the establishment of 12 Production Credit Corporations and as many local Production Credit Associations as were needed to make available to farmers the short-term credit facilities of the Federal Intermediate Credit Banks.

Production Credit Associations.—These are local associations of farmer-borrowers through which loans for financing the production of crops and livestock may be obtained. The funds loaned by the associations are obtained by discounting farmers' notes with the Federal Intermediate Credit Banks, or, upon approval by the Governor of the Farm Credit Administration, with other credit agencies.

By the end of March, 1934, Production Credit Associations had been organized in every Farm Credit Administration district, and were ready to serve every agricultural county in the United States. On December 31, 1947, there were 504 Production Credit Associations, whose territory included every agricultural county in the continental United States and Puerto Rico.

Management.—The associations are under the supervision of 12 Production Credit Corporations and the Governor of the Farm Credit Administration. The corporations, with the approval of the Governor, prescribe rules and regulations under which the associations invest their funds and make loans to farmers. Included in the scope of the regulations are terms and conditions of loans, the rates of interest charged, and the security required.

The charter of each association must be approved by the Governor of the Farm Credit Administration. His power also extends to prescribing the amount of stock, fixing the territory within which the association may operate, fixing the method of selection and the compensation of officers and employees, fixing the maximum amount of individual loans, prescribing conditions under which the stock may be retired, and providing for the consolidation of two or more associations. He may at any time direct such changes in the charter as he finds necessary in accomplishing the purposes of the act.

Capital Stock.—Capital stock of each association is divided into two classes. Class A stock may be purchased either by investors or by the Production Credit Corporation of the district. It shares equally with class B stock in dividends, but is preferred as to assets in liquidation. Through purchases by the Production Credit Corporation, the amount of class A stock outstanding in each association is maintained at not less than 20 per cent. of the amount of its loans in force. Except by the consent of the local association, the amount of class A stock may not at any time be less than $5,000. Class B stock may be owned only by borrowers or those eligible to borrow. Each borrower is required to own, at the time his loan is made, class B stock of the association in an amount equaling in fair book value (not to exceed par), as determined by the association, $5 per $100 or fraction thereof borrowed. It carries all voting privileges, with one vote to each shareholder regardless of the amount of stock owned. Upon liquidation of a loan, class B stock is not retired, but if a holder thereof ceased to be a borrower for a period of two years, he must either dispose of the stock to another borrower, or exchange it for class A stock. As of December 31, 1947, member stockholders owned $46,488,483 of Class A and B stock in the Production Credit Associations. The 12 Production Credit Corporations owned $34,822,100 of the Class A stock of Production Credit Associations, on December 31, 1947.

Reserves.—Earnings of a Production Credit Association in excess of operating expenses are to be applied, under the act, first, to making up any losses in excess of its reserve for bad and doubtful debts; second, to the restoration of any impairment of capital; third, to the creation and maintenance of a reserve account of bad and doubtful debts, the amount of which is to be prescribed by the Production Credit Corporation; and fourth, to the creation and maintenance of a guaranty fund equal to at least 25 per cent. of the paid-in capital of the association. Any sums remaining may, with the approval of the Production Credit Corporation, be applied to the payment of dividends, but no dividend in excess of 7 per cent. may be paid. The guaranty fund is to be treated according to regulations prescribed by the Production Credit Corporation, but may not be invested in loans.

Limitations on loans.—No borrower may be indebted to an association at any one time to an amount greater than 20 per cent. of the paid-in capital and surplus of the associations, except that loans may be made up to 50 per cent. of the capital and surplus of an association upon pledge of collateral approved by the Production Credit Corporation. Individual loans exceeding 50 per cent. of the capital and guaranty fund of a given association may be made with the approval of the Production Credit Commissioner of the Farm Credit Administration. No loans may be made for an amount less than $50.

Purposes of loans.—Loans may be made to farmers and stockmen for general agricultural purposes, under the terms of the act. In order for an association to secure funds from a Federal Intermediate Credit Bank, these agricultural purposes must be kept within the definitions laid down by the bank and approved by the Governor of the Farm Credit Administration.

Interest rates and maturities.—Interest rates and maturities of loans are determined under regulations issued by the Production Credit Corporations, but in order for funds to be secured from Federal Intermediate Credit Banks, both interest rates and maturities of loans are subject to the limitations prescribed in the Agricultural Credits Act of 1923, as amended. The interest rate authorized provides a spread for the associations in addition to the rate charged for the source of funds by the Federal Intermediate Credit Banks. Interest rates charged by associations ranged from 4 1/2% to 5 1/2% as of December 31, 1947.

(See Farm Credit Administration.)

PRODUCTION CREDIT CORPORATIONS

These are located in the same cities as the Federal

Land Banks, the Federal Intermediate Credit Banks, and the regional Banks for Co-operatives. The twelfth corporation was chartered on December 19, 1933. Each corporation supervises the operations of the Production Credit Associations within its Farm Credit District. They also assisted in the organization of the associations and provided their initial capital.

Management.—The directors of the Federal Land Bank in each district are ex-officio directors of the Production Credit Corporation.

Capital.—The originally paid in capital stock of the Production Credit Corporations, all paid in by the Farm Credit Administration on behalf of the United States Government, was $120,000,000. A total of $27,350,000 had been repaid by December 31, 1947, and early in 1948 another $11,015,000 was repaid further, thus reducing the Government capital in the 12 Production Credit Corporations to $81,635,000. The amount of stock in any corporation may be changed from time to time by the Governor in accordance with the credit needs of the district. Out of the funds so provided, each corporation must invest in class A stock of the Production Credit Associations within its district, for the corporation is required to maintain the paid-in class A stock in each association equal to not less than 20 per cent. of the volume of the association's loans outstanding. The corporation may require an association to retire stock held by the corporation if, in the judgment of the corporation, the association has resources available therefor. The corporation may, under conditions stipulated in the act, invest in capital stock of the associations not organized under the act, if such associations are operated on a co-operative basis.

Earnings.—Production Credit Corporations, like the associations, are required to apply earnings in excess of operating expenses toward losses and impairment of capital, and thereafter to the creation and maintenance of a reserve fund equal to at least 25 per cent. of the paid-in capital of the corporation. The surplus is to be invested as prescribed by the Governor, either in direct obligations of the United States or in class A stock of Production Credit Associations, or both. Earnings above these requirements must be used to retire stock of the corporations held on behalf of the United States.

(See Farm Credit Administration; Production Credit Associations.)

PRODUCTION INDEX

An index computed to show the trend of production in the composite as well as to measure the trend of production in each component series. Such indexes are usually presented in two forms, unadjusted and adjusted for seasonal variation.

Perhaps the most cited index of industrial production is the monthly index compiled by the Board of Governors of the Federal Reserve System. It has as its base the 1935-1939 average, is calculated on the unadjusted as well as adjusted basis, measures production in physical volume as well as dollar value, and in addition to showing an over-all or composite index, presents separate index numbers for different series components by types of production of manufactures, both durable and non-durable, and minerals. A total of some 125 separate indexes are thus compiled monthly.

Among other production indexes currently compiled are those of the Cleveland Trust Company, Barron's, and Standard-Poor's Corporation. (See Business Indexes, Index Numbers.)

PROFESSIONAL

An operator who habitually makes a business of speculating, either in the stock or commodity markets, or both. Speculators are divided, roughly, in two classes, the professionals and the public. Professionals are "professional" traders who engage in speculation as a vocation; the public are "amateur" traders who enter the market either occasionally, or continuously but as an avocation.

The stock market is said to have a professional appearance when the public is out of it, or when the participation by the public is small, and prices consequently are controlled by the professionals. (See Operator.)

PROFIT

(1) In economics, profit is the concept of reward of the entrepreneur for risk taking and management.

(2) In business operations, profit is the gain from manufacturing, merchandising and selling operations after all expenses are met. Since profit normally is added to net worth, it may be measured by the increase in net worth over the previous accounting period. The amount of a concern's profits thus may be determined not only through the Profit and Loss Statement, but also by a comparison of the earned surplus or net worth in balance sheets, which, however, is the residue of profits after dividends and any other appropriations, and does not reveal details of sources of income and expenses, such as is found in the Profit and Loss Statement.

(3) In speculative transactions, profit is the excess of the net selling price over the cost (including all charges), of the security or commodity traded in. (See Net Profits.)

PROFIT AND LOSS

A bookkeeping term to indicate the temporary or summary account through which all expenses and profits are cleared in order to determine the net profit or loss for the accounting period. Expenses and losses are entered on the debit side and sales or other income items on the credit side. In banking practice, the balance of this account is carried to Undivided Profits. P. & L. is the abbreviation for Profit and Loss.

PROFIT-SHARING BONDS

See Participating Bonds.

PROFIT TAKING

The selling of securities or commodities when the price has advanced over that of the purchase price, in order to convert paper profits into cash, i. e., to realize a profit on a speculative transaction through selling at a higher price. In a case of short selling, profit taking consists in buying (covering) when the current price has fallen below the original selling price.

PROGRESSIVE DISCOUNT RATES

Federal Reserve Banks were permitted under the Phelan Bill which amended Sec. 14 (d) of the Federal Reserve Act and became a law April 13, 1920, to increase the rediscount rates of those member banks whose rediscounts exceeded a specified base to which the normal rate applied. The purpose of the progressive discount rate plan was to discourage further bor-

rowing and rediscounting at times when the volume of credit outstanding was dangerously high and when prices reached excessive levels. In the latter months of 1920, effective use was made of progressive rates in two Federal Reserve districts. The plan was put forward because the general raising of the normal rediscount rate throughout the United States did not sufficiently restrict rediscounting operations, and as an alternative to the plan of refusing to accept certain classes of paper for rediscount regardless of the discount rate.

Sec. 14(d) of the Federal Reserve Act was further revised by Act of March 4, 1923 and the Banking Act of 1935 (August 23, 1935), so that today the section merely provides generally that every Federal Reserve Bank shall have power to establish from time to time, subject to review and determination of the Board of Governors of the Federal Reserve System, rates of discount to be charged for each class of paper, which shall be fixed with a view of accommodating commerce and business.

(See Rediscount Rate.)

PROMISOR

One who promises to do a thing. A promisor is legally responsible for fulfilling a promise made in contemplation of legal relations, provided it has been made for a valuable consideration and its fulfillment is not contrary to law. A maker of a note or the acceptor of a bill is a promisor, and his liability as a primary party is unconditioned (Sec. 192, Uniform Negotiable Instruments Law; Sec. 3, New York Negotiable Instruments Law).

PROMISSORY NOTE

A negotiable promissory note, within the meaning of the Negotiable Instruments Law, is an unconditional promise in writing made by one person to another signed by the maker, engaging to pay on demand, or at a fixed or determinable future time, a sum certain in money to order or to bearer. (Sec. 184, Uniform Negotiable Instruments Law; Sec. 320, New York Negotiable Instruments Law). For the definition by the Board of Governors of the Federal Reserve System, see Regulation A. (See Note.)

PROMOTER

A person who brings together a newly conceived business enterprise and financiers; that is, one who secures the necessary capital from financial interests, bankers, underwriters, private investors, etc., to inaugurate a new business. The promoter is a kind of middleman who discovers business opportunities and sells them to capitalists.

The function of a promoter of a new enterprise is to conceive or discover the proposition, to assemble the factors—its technical and legal feasibility—procure options upon property, patents, etc., issue the informal "prospectus" (not the prospectus required under the Securities Act of 1933), aid in the flotation of securities, and launch the enterprise. The promoter is in reality an entrepreneur pro tem.

Under Regulation C of the Securities and Exchange Commission, which governs every registration of securities under the Securities Act of 1933, the term "promoter" is defined to include:

(1) Any person who, acting alone or in conjunction with one or more other persons, directly or indirectly takes initiative in founding and organizing the business or enterprise of an issuer;

(2) Any person who, in connection with the founding and organizing of the business or enterprise of an issuer, directly or indirectly receives in consideration of services or property, or both services and property, 10% or more of any class of securities of the issuer or 10% or more of the proceeds from the sale of any class of securities. However, a person who receives such securities or proceeds either solely as underwriting commissions or solely in consideration of property shall not be deemed a promoter within the meaning of this definition if such person does not otherwise take part in founding and organizing the enterprise.

Such compensation of the promoter is an integral part of the Registration Statement, it is subject to the review of the Securities and Exchange Commission. Compensation of promoters and their activities are also subject to the Blue Sky Laws of the various States.

There are both occasional and professional promoters. Occasional promoters may be bankers, lawyers, engineers or business executives, who, because of their business contacts and knowledge of the technical, legal and financial phases of business, are in a position to discover propositions the exploitation of which appear to promise large returns. The professional promoter is regarded with more or less suspicion, due to the fact that in the nature of things he is bound to attempt promotions which lack feasibility.

The promoter performs an incalculable service for society by setting into motion ideas by which the wealth of the nation is enhanced.

PROMOTERS' STOCK (SHARES)

A special form of stock peculiar to England, sometimes also known as Deferred Stock (q. v.), or Founders' Shares (q. v.). Such stock is issued with limited and deferred privileges as payment for the services of the promoters, who have been instrumental in organizing a corporation.

In America, compensation of the promoter or promoters has usually been in the common stock, the extent of the compensation being dependent on the importance of the promoter's services and his bargaining power. Speculative exterprises, involving much promotion, usually provide high compensation for the promoter. (See Promoter.)

PROMOTION

See Promoter.

PROPERTY

In law, the courts define property as the right to possession, enjoyment and disposition of all things subject to ownership. Popularly, however, the term property is generally applied to the things themselves which are the subject of ownership.

Property is broadly classified as Real Property (q.v.), and Personal Property (q.v.). Real property consists of land, all things growing therein or appurtenant thereto, and all rights or interests issuing out of or concerning the land. Personal property, by exclusion, is everything else that is not real property, and is defined by New York Statute (Sec. 39, General Construction Law), as chattels, money, things in action, and all written instruments themselves, as distinguished from the rights or interests to which they relate, by which any right, interest, lien, or incumbrance in, to, or upon property, or any debt or financial obligation is created,

acknowledged, evidenced, transferred, discharged or defeated, wholly or in part.

In old time property systems, real property constituted the major basis of wealth. In modern times, however, as the result of development of the corporation as the principal form of business organization, and diffusion of corporate ownership through widespread distribution of bonds and stocks, personal property has become the more important type of property.

PROPERTY RISK

That risk involved in lending money which varies according to, and therefore is determined by, the value of the net assets or net worth of the borrower. If a loan is well protected, the borrower should possess sufficient unpledged net tangible assets which if converted into cash would be sufficient to cover amount of loan, whether secured or unsecured. In the case of bills discounted, bank or trade acceptances, or unsecured commercial paper where no collateral security is offered, there is always the presumption that the borrower has current assets, which if converted into cash, would be more than sufficient to liquidate the loan. The property risk can be determined by an examination of the borrower's statement and the lending bank should always determine whether the prospective borrower had already borrowed from other lending institutions, and in what amount.

The property risk is distinguished from moral and business risk. Together they constitute the classical three-fold divisions of a credit risk. Property risk is usually regarded as less important than the moral of business risk. (See Business Risk, Credit, Credit Risk, Moral Risk.)

PROPRIETARY COMPANY

Another name for Controlling Company (q. v.), or Parent Company (q. v.). A proprietary company is usually not an operating company.

PRORATION

Restriction of output of crude oil through allocation of production, imposed either on a voluntary or compulsory basis, for the purpose of conservation and maintaining orderly markets for crude oil.

Proration is imposed by the States in varying degrees of strictness, ranging from the compulsory proration imposed by Texas through its "Railroad Commission" (the State Public Service Commission), to the largely voluntary proration imposed by the Oil Conservation Committee of California. On the other hand, no proration at all is imposed by Illinois, one of the important producing States. The Interstate Oil Compact among the States is given recognition by Congress, which under the Connally "Hot Oil" Act prohibits the interstate shipment of oil produced in excess of that established as allowable by State proration laws. Basis for establishing the "allowables" under State proration laws is the monthly estimate of demand for crude oil prepared by the Bureau of Mines in the U. S. Department of the Interior. (See Oil.)

PROSPECT

A possible customer; a person, firm, or corporation whose business is desired and solicited, but with whom no business relations have been established.

In extractive industries, a new development, such as a mine or newly drilled well is termed a prospect.

PROSPECTUS

(1) In activities of the promoter, the informal typewritten or printed plan of organization of a new enterprise, or for the expansion of an existing enterprise, usually prepared by the promoters and their associates for the purpose of interesting financiers in the purchase of the securities. The prospectus usually contains detailed representations of the nature of the proposed corporation, the probable demand for the product, the technology and cost of production, plans for financing, location and initial size of the plant, and the grounds upon which profits are expected.

The prospectus is intended for distribution, not to the general public, but to the underwriters or financiers whom it is designed to interest in the proposition.

(2) Under the Securities Act of 1933, the term "prospectus" means any prospectus, notice, circular, advertisement, letter, or communication, written or by radio, which offers any security for sale. However, a communication shall not be deemed a prospectus if it is proved that prior to or at the same time with such communication a written prospectus meeting the requirements of Section 10 of the Act was sent or given to the person to whom the communication was made. Also, a notice, circular, advertisement, letter, or communication in respect of a security shall not be deemed to be a prospectus if it states from whom a written prospectus meeting the requirements of Section 10 of the Act may be obtained and, in addition, does no more than identify the security, state the price, and state by whom orders will be executed.

Under Section 5 of the Act, it shall be unlawful for any person, directly or indirectly, to make use of any means or instruments of transportation or communication in interstate commerce or of the mails to carry or transmit any prospectus relating to any security registered with the Securities and Exchange Commission, unless such prospectus meets the requirements of Section 10 of the Act. It shall also be unlawful to carry or to cause to be carried through the mails or in interstate commerce any such security for the purpose of sale or for delivery after sale, unless accompanied or preceded by a prospectus that meets the requirements of Section 10 of the Act.

Section 10 of the Act provides that a prospectus relating to securities other than those issued by a foreign government or political subdivision shall contain the same statements made in the Registration Statement, but need not include the documents referred to in paragraphs 28 to 32, inclusive, of Schedule A of the Registration Statement, which are such documents as agreements with underwriters, opinions of counsel, material contracts, copies of articles of incorporation or partnership or association, underlying agreements or indentures, etc. When relating to a security issued by a foreign government or political subdivision, the prospectus shall contain the same statements made in the Registration Statement, but need not include the documents referred to in paragraphs 13 and 14 of Schedule B of the Registration Statement, which are documents relating to agreements made with underwriters in the United States and opinions of counsel concerning legality of issue.

There may be omitted from any prospectus any of the

statements required under Section 10 which the Commission may by rules or regulations designate as not being necessary or appropriate in the public interest or for the protection of investors; and any prospectus shall contain such other information as the Commission may by rules or regulations require as being necessary or appropriate in the public interest or for the protection of investors. In the exercise of these powers, the Commission has authority to classify prospectuses according to the nature and circumstances of their use, and by rules and regulations and subject to such terms and conditions as it shall specify, to prescribe as to each class the form and contents which it may find appropriate to such use and consistent with the public interest and the protection of investors.

When a prospectus is used more than 13 months after the effective date of the Registration Statement, the information in the statements contained in it shall be as of a date not more than 12 months prior to such use, so far as such information is known to the user of such prospectus or can be furnished by such user without unreasonable effort or expense.

Article 2 of Regulation C of the Commission prescribes the form and content of prospectuses. The following statement is required in all prospectuses, on the outside front cover page, printed in type at least as legible as ten-point boldface leaded type:

"THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION NOR HAS THE COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE."

In any case in which the registrant or any of the underwriters knows or has reasonable grounds to believe that the price of any security may be stabilized to facilitate the offering of the registered securities, there shall be set forth, either on the outside front cover page or on the inside front cover page of the prospectus, a statement in substantially the following form, subject to appropriate modifications where circumstances require, in capital letters, printed in type at least as legible as ten-point boldface leaded type:

"IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF (identify each class of securities in which such transactions may be effected) AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH TRANSACTIONS MAY BE EFFECTED ON (identify each exchange on which stabilizing transactions may be effected. If none, omit this sentence.) SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME."

Under the "Red Herring" regulation of the Commission, which was adopted in December, 1946, advance distribution of a preliminary prospectus, called the "Red Herring" because of the red ink clauses on the outside front cover calling attention to its nature, is authorized, provided it contains substantially all the required disclosures except price and related data which normally is fixed just prior to the effective date and public offering. Use of the "Red Herring" Prospectus does not constitute an offer to sell the security, and is of material assistance to the underwriters in giving advance information to members of the selling group and other dealers.

In practice, the Prospectus is prepared by the principal underwriter's counsel and members of the underwriting firm and issuer, with the counsel guiding the preparation as to legal requirements, statement of facts and avoidance of "puffing". In addition to the three copies of the proposed prospectus included in the body of the Registration Statement proper, five copies of the prospectus shall be filed with the Registration Statement at the time the statement is filed, and within five days after the commencement of the public offering, 20 copies of each form of prospectus used in connection with the offering shall be filed in the exact form used with the office of the Commission with which the Registration Statement was filed. Thus the Commission is in position to reject any prospectus which it considers out of line with the Registration Statement.

(See Securities Act of 1933, Syndicate, Underwriting.)

PROSPERITY

That phase of the trade cycle characterized by business activity, as shown by the volume of trade and bank clearings, rising prices, large profits, low percentage of business failures, high wages, liberal buying, etc. This phase of the business cycle usually follows the period of recuperation, which in turn, follows a depression. The close of a period of prosperity is likely to be characterized by inflated bank credit and currency, low bank reserves, high money rates, high commodity prices and wages, speculative activity and profiteering, until finally a crisis arises, which is a reaction against the period of high prices and marks the end of prosperity. (See Business Cycle.)

PROTECT PROFITS STOPS

Stop orders placed with a broker by a client to protect profits on a security once they have accumulated. Stop orders are generally regarded as "stop-loss" orders, and in a sense they are since they are placed at a point below the current market and if executed give a realized amount something less than the maximum that might have been attained. Many stop orders are placed, however, to insure the realization of a part of the paper profit that has accumulated. In this sense, such a stop order is for the purpose of "protecting profits," rather than preventing increased losses. (See Stop Loss Order.)

PROTECTIVE DEVICES

Being depositories for large amounts of cash and other valuables which are negotiable by delivery, banks are subject to attacks by hold-up men, burglars and safe-blowers. Defensive measures have kept pace with offensive tactics. Among the banks in larger cities, the employment of special guards in uniform is an almost universal practice. Their purpose is preventative, as well as furnishing a means of apprehending hold-up men in case an assault is attempted. The daring of hold-up men is in direct, proportion to chances of success, and hold-ups are not likely where the promise of success is slight.

Modern banks are equipped with various kinds of protective equipment. Safes and vaults are now made with armor plate consisting of an alloy steel that is as nearly burglar-proof as possible. Other means of protecting a bank, and especially its cash, are:

(1) Electric signal systems communicating with a local burglar alarm company, prepared upon alarm to dispatch detectives in case of trouble. For night protection this system involves a periodic turning in of signals from electric signal boxes located in various parts of the bank building.

(2) Emergency alarms with buttons placed at the finger-tips of tellers to call special guards located at other stations in the bank.

(3) Protection of the paying teller and the cash in his cage by erecting bullet-proof, armored glass in front of the cage.

(4) Automatic door-closing devices operating from the paying teller's cage to close all means of escape to hold-up men who may attempt an assault.

(5) Time lock and a burglar alarm signal on the door of the vault or safe.

For the protection of checks against alterations and forgeries see Check Protecting Devices. Also see Identification, Finger-Print Identification, Vault.

PROTEST

A declaration made by a notary public in behalf of the holder of a check, bill of exchange, or note, that presentment has been made and that the instrument has been dishonored (payment refused), and a protest that any loss arising shall be borne by the drawer and indorsers. Protest is not required of domestic bills and promissory notes which are drawn and payable in the same state, but in the case of foreign bills, protest is required. Protest proceedings are admissible court evidence of presentment and refusal to pay, and bind the indorsers. When in doubt, and for the evidentiary value of the notarial certificate, it is always desirable to have an unpaid instrument protested. For method of issuing protest papers, see Notarial Protest Certificate. (See Secs. 152-160, Uniform Negotiable Instruments Law; Secs. 260-268, New York Negotiable Instruments Law.)

PROTEST FEES

Fees paid to the notary public before whom protest of a negotiable instrument is made, and any other incidental charges in connection with protest. Protest fees are ordinarily paid by the holder of the instrument at the time of protest. Where such protest is necessary in order to fix the liability of the parties, as in the case of a foreign bill of exchange, protest fees may be recovered by the holder from the drawer, the acceptor or the last indorser, as they are in the nature of special damages or expenses arising out of the dishonor. Where protest is not necessary in order to charge the parties, as in the case of inland bills of exchange, there is a conflict of authority among the courts as to whether the drawer would be chargeable with protest fees.

(See Protest.)

PROTEST WAIVED

When there are no indorsements on a negotiable instrument or where the indorser writes "Protest Waived", or words of similar import above his signature as an indorser on the instrument, protest is not necessary to hold the indorser liable. Where the waiver is embodied in the instrument itself, it is binding on all parties (Sec. 110, Uniform Negotiable Instruments Law, Sec. 181, New York Negotiable Instruments Law). According to Sec. 13 of the Federal Reserve Act, when notes are rediscounted for a member bank, they must be indorsed by such member, and such indorsement shall be deemed a "waiver of demand, notice and protest."

PROTESTED FOR NON-ACCEPTANCE

Protest of a time "foreign" (out-of-state) bill of exchange for refusal of the drawee to accept. Where a foreign bill appearing on its face to be such is dishonored by non-acceptance, it must be duly protested for non-acceptance. If it is not so protested, the drawer or any indorsers are discharged (Sec. 152, Uniform Negotiable Instruments Law; Sec. 260, New York Negotiable Instruments Law). Protest of a domestic time bill of exchange for non-acceptance is not required, but is desirable to do because of the evidentiary value of the notarial certificate. (See Notarial Protest Certificate.)

PROTESTED FOR NON-PAYMENT

See Protest.

PROXY

Authority given in writing legally witnessed, by which a stockholder confers upon another person the right to vote the stock owned by him. In most large corporations, many of the stockholders find it impossible, even if interested, to attend stockholders meetings. Since shares of stock usually carry the right to vote as one of the incidents of ownership, the right may be conferred upon someone else. In many cases stockholders are asked for their proxies by other stockholders who are more interested in the affairs of the corporation. Sometimes the secretary of the corporation requests proxies from all out-of-town stockholders.

The Securities Exchange Act of 1934 prohibits the solicitation of proxies, or the giving of proxies by brokers or dealers, except under such rules and regulations as the Securities and Exchange Commission may prescribe. The Commission by Regulation X-14 has regulated in detail the solicitation of proxies, including requirements as to information to be furnished to security holders, requirements as to form of proxy, presentation of information in the proxy statement, and advance filing with the Commission of copies of the proxy statement, form of proxy and any other soliciting material.

The following is a customary form of proxy:

"Know all men by these Presents, That .....
the undersigned, Stockholders in the .....
..... do hereby appoint .....
..... true and lawful Attorney, with power of substitution, for ..... and in ....., to vote at the meeting of the stockholders in said .....to be held at ....., or at any adjournment thereof, with all the powers .....should possess if personally present, hereby revoking all previous proxies.

.....19

Witness

....

Under the regulation of the Securities and Exchange Commission, the form of proxy shall identify clearly and impartially each matter or group of related matters which is intended to be acted upon, whether proposed by the management or by security holders. Means shall

also be provided in the form of proxy whereby the person solicited is afforded an opportunity to specify by ballot a choice between approval or disapproval of each such matter or group of related matters, other than elections to office. The proxy shall also provide that the shares represented thereby will be voted in accordance with the specifications so made. A proxy may confer discretionary authority with respect to matters as to which the person solicited does not make the specification provided for, if the form of proxy states in boldface type the bona fide intention as to the manner in which the shares represented by the proxy will be voted if the ballot is not marked. A proxy may also confer discretionary authority with respect to matters which the persons on whose behalf the solicitation is made are not aware will be presented for action at the meeting. No proxy shall confer authority to vote for the election of any person to any office for which a bona fide nominee is not named in the proxy statement.

PUBLIC

Public participation in the securities markets is usually directly indicated by the volume of buying and selling in Odd Lot (q. v.) transactions. (See Professional).

PUBLIC ACCOUNTANT

A professional accountant or auditor whose services are available for the auditing of books, installation of accounting systems, preparation of financial statements, tax returns, valuations, etc. If the public accountant passes an examination provided by the State, he is given a certificate and is entitled to style himself a Certified Public Accountant (q. v.). (See Auditor.)

PUBLIC ADMINISTRATOR

A public official who is appointed to administer the estates of intestate persons whose heirs cannot be immediately determined or located, or who may be appointed in lieu of a private administrator. (See Administrator.)

PUBLIC COMMISSION

See Public Service Commission.

PUBLIC CREDIT

A term applied to the credit enjoyed by a National Government, state, county, municipality, etc. The same principles govern public credit as commercial, agricultural, banking, and other forms of credit. Thus, a Government, state or municipality may have a good or bad credit standing, depending upon its reputation and ability to pay its obligations.

PUBLIC DEBT

Practically synonymous with national debt, i. e., the debt of a central government to individual creditors. Although the term is usually restricted to the debt of the Federal Government in the United States, it could also be applied to all public debt incurred by sovereign jurisdictions--the Federal Government, States, political subdivisions, and municipalities. (See Internal Debts, National Budget, National Debt.)

The Federal Government debt consists of the direct and guaranteed obligations issued by the U. S. Government, which are limited by the latest amendment to the Second Liberty Loan Act of 1917, to a total of $275 billion. As of June 30, 1948, total direct issues were $160,346,000,000, and total guaranteed issues were $27,000,000, among marketable issues; and $252 million grand total.

The various types of U. S. Government marketable public securities, outstanding as of June 30, 1948, were as follows:

(in millions of dollars)

Issue and Coupon Rate	Amount
Treasury Bills(1):	
July 1, 1948	$1,200
July 8, 1948	1,205
July 15, 1948	1,007
July 22, 1948	1,002
July 29, 1948	1,006
August 5, 1948	905
August 12, 1948	1,006
August 19, 1948	1,004
August 26, 1948	1,108
Sept. 2, 1948	1,101
Sept. 9, 1948	1,105
Sept. 16, 1948	1,104
Sept. 23, 1948	1,006
Certificates of Indebtedness:	
July 1, 1948, Series "F", 7/8%	2,742
July 1, 1948, Series "G", 7/8%	1,127
July 1, 1948, Series "H", 7/8%	2,209
October 1, 1948, Series "J", 1%	1,354
October 1, 1948, Series "K", 1%	1,467
January 1, 1949, 1 1/8%	2,592
February 1, 1949, 1 1/8%	2,189
March 1, 1949, 1 1/8%	3,553
April 1, 1949, 1 1/8%	1,055
June 1, 1949, 1 1/8%	4,300
Treasury Notes:	
September 15, 1948, 1 1/2%	3,748
October 1, 1948, 1%	4,092
January 1, 1949, 1 1/8%	3,535
Treasury Bonds:	
September 15, 1948*, 2 1/2%	451
December 15, 1948-50*, 2%	571
June 15, 1949-51, 2%	1,014
September 15, 1949-51, 2%	1,292
December 15, 1949-51, 2%	2,098
December 15, 1949-52*, 3 1/8%	491
December 15, 1949-53*, 2 1/2%	1,786
March 15, 1950-52, 2%	1,963
September 15, 1950-52*, 2 1/2%	1,186
September 15, 1950-52, 2%	4,939
December 15, 1950, 1 1/2%	2,635
June 15, 1951-54*, 2 3/4%	1,627
September 15, 1951-53, 2%	7,986
September 15, 1951-55*, 3%	755
December 15, 1951-53*, 2 1/4%	1,118
December 15, 1951-55, 2%	510
March 15, 1952-54, 2 1/2%	1,024
June 15, 1952-54, 2%	5,825
June 15, 1952-55, 2 1/4%	1,501
December 15, 1952-54, 2%	8,662
June 15, 1953-55*, 2%	725
June 15, 1954-56*, 2 1/4%	681
March 15, 1955-60*, 2 7/8%	2,611
March 15, 1956-58, 2 1/2%	1,449
September 15, 1956-59*, 2 3/4%	982
September 15, 1956-59, 2 1/4%	3,823
June 15, 1958-63*, 2 3/4%	919
June 15, 1959-62**, 2 1/4%	5,284

December 15, 1959-62**, 2 1/4%	3,470
December 15, 1960-65*, 2 3/4%	1,485
June 15, 1962-67**, 2 1/2%	2,118
December 15, 1963-68**, 2 1/2%	2,831
June 15, 1964-69**, 2 1/2%	3,761
December 15, 1964-69**, 2 1/2%	3,838
March 15, 1965-70**, 2 1/2%	5,197
March 15, 1966-71**, 2 1/2%	3,481
June 15, 1967-72**, 2 1/2%	7,967
September 15, 1967-72, 2 1/2%	2,716
December 15, 1967-72**, 2 1/2%	11,689
Postal Savings Bonds, 2 1/2%	114
Panama Canal Loan, 3%	50
Total Direct Issues	$160,346
Guaranteed securities:	
Federal Housing Administration, various	$27

(1) Sold on a discount basis.
*Partially tax-exempt.
**Restricted as to ownership by commercial banks.
Source--Board of Governors of the Federal Reserve System.

In addition to the above marketable issues, as of June 30, 1948, there were outstanding a total of $59,506 million in non-marketable public issues, including U. S. Savings bonds ($53,274 million), Treasury tax and savings notes ($4,394 million), adjusted service bonds, depositary bonds, Armed Forces Leave bonds, and 2 1/2% Treasury investment bonds, series A-1965. Also in addition, there was outstanding a total of $30,211 million in special issues, and $42 million in non-marketable fully guaranteed interest- bearing securities, as well as $2,229 million in non-interest bearing debt.

For further data on types of U. S. Government issues and financing, see U. S. Government Securities.

PUBLIC DEPOSITS

Deposits in banks by the Federal Government, States, political subdivisions, and municipalities.

U. S. Government deposits may be deposited in banks designated as depositaries by the Treasury and in "war loan accounts" authorized under the Liberty Loan Acts. Sec. 9 of the Federal Reserve Act provides that State member banks may be designated as depositaries of public moneys, and under Sec. 5153 of the Revised Statutes, National banks may be designated as depositaries of public moneys. Although Sec. 15 of the Federal Reserve Act prohibits the deposit of public moneys in non-member banks, proceeds of sale of Liberty Bonds of the 1st, 2nd and 3rd issues could be deposited in non-member banks, and Sec. 8 of the Second Liberty Loan Act, as last amended January 30, 1934, authorizes the Secretary of the Treasury in his discretion to deposit in such incorporated banks and trust companies as he may designate, Government receipts arising from the payment of income and excess profits taxes. Postal savings funds also may be deposited in non-member banks.

In addition to posting eligible security, member banks are required to maintain the same reserves against deposits of public moneys of the United States as against other deposits. Beginning in April, 1943, deposits in U. S. Government war loan accounts were exempted from reserve requirements for a period expiring six months after cessation of hostilities in World War II.

Any National bank may, upon deposit with it of public moneys of a State or any political subdivision thereof, give security for the safe-keeping and prompt payment of the moneys so deposited, of the same kind as is authorized by the law of the State in which such National bank is located in the case of other banking institutions in the State (Sec. 5153 of the Revised Statutes).

The prohibition of interest payment on demand deposits applies to public deposits as well as private deposits, under Sec. 19, paragraph 12, of the Federal Reserve Act, which paragraph was added by the Banking Act of 1933 (q. v.), and amended by the Banking Act of 1935 (q. v.).

(See Government Depository, Government Deposits.)

PUBLIC FINANCE

The subject which, "deals with the revenues of government, with their expenditure, and their administration" (Ely, R. T.: Outlines of Economics).

Public finance includes the science of budgeting, the principles and administration of taxation, the expenditure of public revenues and accounting therefor. The Government in undertaking those functions necessary for promoting collective welfare—administration of the laws and courts of justice, protection afforded through the army, navy and police system, education and extension of public works—is concerned with financial principles just as any concern would be which might administer these functions privately.

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PUBLIC HOUSING ADMINISTRATION

Created July 27, 1947 as successor to the Federal Public Housing Authority, and as a constituent agency under the Housing and Home Finance Agency (q. v.). The Public Housing Administration supervises and administers the provision of temporary housing for veterans from converted war housing and facilities; public war housing provided during World War II for veterans' families and civilian employees of the War and Navy Departments; sale or other disposition of surplus war housing over and above these needs; and the program of Federal aid to local low-rent housing projects designed to keep rents low to low-income groups. As of March 31, 1948, the Public Housing Administration reported total assets of $530 million, largely $295 million in loans receivable and $203 million in real estate holdings; U. S. Government interest, or net worth, totaled $520 million. Affiliate of the Public Housing Administration, the Defense Homes Corporation, reported as of the same date total assets of $54 million.

PUBLIC LOAN

Obligations issued by a sovereign, whether a Federal Government, State, province, political subdivision thereof, or a municipality, for public purposes and for

the public welfare. Public loans are either temporary or short term, to meet temporary deficits or unanticipated deficiencies in revenues; or long term or permanent loans, to finance the cost of permanent public improvements or supplement current revenues by capitalizing future taxes in the present. Public credit is reflected in the terms of public loans and ordinarily commands the best terms as compared with private credit, so that the "riskless cost of money" is most closely indicated by the short term or long term cost of public loans.

PUBLIC REGULATIONS

A term used in politics, economics, and in business to denote the intervention of public authority, i. e., the Federal or State Government in business affairs. Public regulation is the mean between the evils of monopoly or of unrestrained competition on the one hand and public ownership (or even some form of socialism) on the other. The purpose of regulation is to secure the benefits of private initiative and ownership and at the same time prevent the abuses of monopoly power and evils of uncontrolled competition.

Public regulation was first applied to public service industries—the railroads and public utilities. Competition in these industries is wasteful because of the necessity of duplicating extensive and expensive plant facilities, so that monopoly in these fields has come to be accepted as a fundamental necessity. To prevent the abuse of monopolistic power, particularly with reference to charges for services, regulation of industries in the public service field by the states and Federal Government has become thoroughly institutionalized. In late years, the extension of public regulation to the industrial field has also made headway.

The basis for regulation of industry lies in the common law and in specific statutes. In the United States, the supervision of the affairs of companies coming under the statutory regulations is by commission. The most important of these are the Interstate Commerce Commission (q. v.), the Public Service Commissions (q. v.) of the various states, and the Securities and Exchange Commission (q. v.).

The principal Federal laws under which the regulation of industry was enforced prior to the "New Deal" are (1) Interstate Commerce Act of 1887, with its amendments; (2) Sherman Anti-Trust Act of 1890; (3) Panama Canal Act of 1913; (4) Clayton Act of 1914, with amendments; (5) Federal Trade Commission Act of 1914; (6) Webb Export Trade Act of 1918; (7) Transportation Act of 1920; and (8) Packer and Stockyards Act of 1921. The states also have laws regulating public utilities situated within their borders.

Public regulation was greatly extended under the "New Deal" Administration beginning March 4, 1933, affecting agriculture, banking, public utilities, air-mail, stock exchanges, securities business, and industry. Among the regulatory laws enacted in the first years of the New Deal 1933-34 were the Agricultural Adjustment Act (q. v.), Bankhead Cotton Control Act (q. v.), Banking Act of 1933 (q. v.), National Industrial Recovery Act (q. v.), Securities Act of 1933 (q. v.), Securities Exchange Act of 1934 (q. v.), and Tennessee Valley Authority Act (q. v.).

Regulation of public utilities in such a state as New York involves the following features: (1) establishment of standardized uniform accounts; (2) publication of earnings and other statistical data; (3) quasi-trade journal functions; (4) service (a) improvement of service upon complaint or upon commission's own initiative, and (b) extension or abandonment of service upon complaint or commission's own initiative; (5) safety; (6) valuation of property—physical and other; (7) capitalization; (8) regulation of rates; (9) issuance of new securities, admission of new companies in the field, permission of mergers and transfer and sale of properties. (See Interstate Commerce Commission, New Deal, Public Utility Corporation, Railroad Legislation.

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PUBLIC RESOLUTION OF JUNE 5, 1933

See Gold Repeal Joint Resolution.

PUBLIC SERVICE COMMISSION

Every State except Delaware has established a Public Service Commission (variously entitled among the various States) for regulating and supervising public utility corporations as to both operating and financial activities. The purpose of these commissions is to harmonize the interests of the corporations, the public as consumers, and security holders. The personnel of these commissions are usually competent and fair-minded men, so that the commission regulation of public utilities has in most cases operated to the advantage of the investor. Regulation finds tangible expression in control of rates, franchises, capital issues, and uniform accounting reports. (See Public Utility Bonds.)

PUBLIC SERVICE CORPORATION

See Public Utility Corporation.

PUBLIC TRUSTEE

The exercise of trust powers by a governmental bureau or office. A public trustee office by which the functions of executor, administrator and trustee are exercised was created by statute in New Zealand. A public trustee law became operative in England and Wales, January 1, 1908. Under its provisions trust functions are undertaken by an office established by the Government. In the case of such a sovereign trustee, a beneficiary has no legal power to enforce the trust without its consent, on the legal principle that a sovereign cannot be sued except with its consent. In the United States, there is no comparable office of public trustee in the Federal Government or the States, but any sovereign (the Federal Government, the States, political subdivisions and municipalities) has the perfect power to act as trustee, and instances are numerous where property has been conveyed in trust to a State or municipality for a stated public use. (See Trusts.)

PUBLIC UTILITIES

See Public Utility Industry.

PUBLIC UTILITY ACT OF 1935

An Act providing for the control and regulation of public-utility companies, and for "other purposes," approved August 26, 1935. It is divided into two titles as follows:

Title I. Control of Public-Utility Holding Companies. (Cited as the "Public Utility Holding Company Act of 1935.")

Title II. Amendments to Federal Water Power Act. (Cited as the "Federal Power Act.")

A brief description of the sections of Title I follows:

Section 1. Necessity for control of holding companies.

(a) Because of interstate nature of business.

(b) To prevent financial abuses.

Section 2. Definitions—"Electric Utility Co.," "Gas Utility Co.," etc. Holding Co.—a company owning 10 per cent. or more of a public utility's voting stock or another holding company. "Integrated Public Utility System"—a system interconnected and operated economically as a single system in a single area or region in one or more states.

Section 3. Power to grant particular exemptions regarding holding companies, subsidiary companies and affiliates. The Securities and Exchange Commission may exempt from act if:

1. Operations are predominantly intrastate, if incorporated in state in which it operates and operations do not extend beyond that state and the states contiguous thereto.

2. Holding company is only incidentally a holding company being interested in one or more other businesses.

3. Company is temporarily a holding with securities to liquidate or distribute.

4. Subsidiary company exempt if it derives no material income from within the United States.

Section 4. Transactions by unregistered holding companies.

After December 1, 1935, it became unlawful for an unregistered holding company to do anything interstate.

Section 5. Registration of holding companies.—Holding companies shall file complete registration statements on and after October 1, 1935.

Section 6. Unlawful security transactions by registered holding and subsidiary companies, as in Section 7.

Section 7. Declarations by registered holding and subsidiary companies in respect of security transactions.

Securities and Exchange Commission shall pass on merit of security offering.

Section 8. Acquiring interest in electric and gas utility companies serving same territory.

Must have state utility commission's approval.

Section 9. Acquisition of Securities and Utility Assets and Other Interests.

1. Unlawful to acquire—through interstate commerce—any securities, utility assets or any other interest in any business—unless approved by the Securities and Exchange Commission in section 10, except United States Government bonds and other assets approved by the Securities and Exchange Commission, or commercial paper.

Section 10. Approval of Acquisition of Securities and Utility Assets and other Interests.

Must apply to the Securities and Exchange Commission for approval to do, and give complete details, with stockholders' names who own 1 per cent. or more of the stock.

Section 11. Simplication of Holding Company Systems.

(a) Securities and Exchange Commission must examine capital set-up of every registered company with view toward simplification, and contine business to that of an "integrated public utility" system.

(b1). After January 1, 1938, Securities and Exchange Commission must require each holding company system to be limited to a single "integrated public utility" system with these exceptions:

1. If each additional system cannot be operated as an independent system without the loss of substantial economies which can be secured by the holding company retaining control.

2. If all such additional systems are located in a restricted area.

3. If the continued combination of such systems controlled by one holding company is not so large as to impair the advantages of local management, efficient operation and effectiveness of regulation.

(b2). Each company in the system shall take the action directed by the Securities and Exchange Commission so that no holding company shall be a holding company to its subsidiaries which itself has a subsidiary company which is a holding company. (This will cause holding companies to cease to be such beyond the second degree.) However, the Securities and Exchange Commission may not require any change in the corporate structure or existence of any company which is not a holding company or of any company whose principal business is that of a public utility company, except where such action is for the purpose of fairly and equitably distributing voting power.

Any order under 11-b must be complied with within a year.

Plan may be submitted to Securities and Exchange Commission after January 1, 1936, by holding company to divest itself of assets.

Unlawful to solicit proxies by mail for or against reorganization plan unless such plan is proposed or reported on by the Securities and Exchange Commission.

Section 12. Intercompany loans; dividends; security transactions; sale of utility assets; proxies; other transactions.

Unlawful to engage in such transaction by mail or interstate except with approval of the Securities and Exchange Commission.

Section 13. Service, Sales and Construction Contracts.

Unlawful to make such contracts and sales by mail or interstate except with approval of the Securities and Exchange Commission.

Section 14. Periodic and Other Reports.

Every registered holding company must make such certified periodic reports and answer such questions as the Securities and Exchange Commission may direct.

Section 15. Accounts and Records.

Section 16. Liability for Misleading Statements.

Section 17. Officers, Directors and Other Affiliates.

Section 18. Investigations, Injunction, Enforcement of Title and Prosecution of Offenses.

Section 19. Hearings by Commissions.

Section 20. Rules, Regulations and Orders.

Section 21. Effect on Existing Law.

Section 22. Information filed with the Commission.

Section 23. Annual Reports of the Securities and Exchange Commission.

Section 24. Court Review of Orders.

Section 25. Jurisdiction of Offenses and Suits.

Section 26. Validity of Contracts.

Section 27. Liability of Controlling Persons; Preventing Compliance with Title.

Section 28. Unlawful Representation.

Section 29. Penalties.
Section 30. Study of Public Utility and Investment Companies.
Section 31. Employees of the Commission.
Section 32. Separability of Provisions.

PUBLIC UTILITY BONDS

Bonds which are the obligations of a Public Utility Corporation (q. v.) engaged in furnishing such facilities as electric light and power, gas, water, telephone, traction, etc., as distinguished from railroad and industrial bonds. Public utility bonds are usually secured by some kind of mortgage upon the properties of the issuing corporation. The demand for the services of public utilities has grown very rapidly since 1870, with the result that property values in all growing and progressive communities have undergone considerable enhancement. This situation may be expected to continue, so important are public utility corporations in city development and in raising the standard of American life. Consequently, their extensive properties are normally capable of providing ample and increasing security for bond issues, which are generally in high investment favor and are legal investments for savings banks and trust funds in must States when they meet statutorily prescribed requirements for eligibility.

Except Delaware, each state has created a Public Service Commission (q. v.) for the purpose of regulating the public utilities within its jurisdiction. It is their function to supervise the operations of public utility corporations, to require accounting and operating reports, and to approve or disapprove the issuance of new or additional securities, with a view to protecting the rights of the corporation, public, and investors. Securities bearing the approval of a public service commission are reasonably certain to possess all the qualifications of a thoroughly sound investment. In addition, the Securities and Exchange Commission, acting under the Public Utility Holding Company Act of 1935, the Securities Exchange Act of 1934, and the Securities Act of 1933, and the Federal Power Commission add their powers of review and jurisdiction over security issues and interstate activities of public utility companies.

In testing the soundness of public utility bonds, the following points should be investigated: (1) desirability and possibility of growth of the territory served; (2) nature of the lien, i. e., whether a first mortgage or lien junior thereto; (3) capability of the management; (4) Reasonableness of rate regulation and rate of return; (5) whether earnings show the margin of safety over operating expenses and fixed charges requirements; (6) whether the equity behind the issue is sufficient to provide a strong margin of safety; (7) whether the franchise situation is satisfactory; and (8) marketability.

PUBLIC UTILITY COMMISSION

Same as Public Service Commission (q. v.)

PUBLIC UTILITY CORPORATION

A corporation which supplies services regarded as indispensable to the consuming public. Railroads, traction lines, electric light and power, gas, telephone and telegraph, bus and ferry lines, and water companies, are public utility or public service corporations. In classifying the securities of these companies, however, railroads are placed in a separate division, since they have characteristics of their own, developed first into importance, and are far more extensive than the other utilities.

Public utility corporations are operated under the law of public callings which requires these corporations (1) to serve all who apply for services, (2) to charge reasonable rates, (3) to charge equal (non-discriminatory) rates, and (4) to give adequate service. Railroads and public utilities operating interstate are subject to control by the Interstate Commerce Commission and the Federal Power Commission, and railroads and other public utilities operating intrastate come under the jurisdiction of the Public Service Commissions (q.v.) of the states in which the utilities are located.

Usually public utilities have a monopoly in the field and territory in which they operate which is granted by a Franchise (q. v.).

PUBLIC UTILITY INDUSTRY

Largest of the public utility industries is the electric light and power industry, with total investment at the close of 1946 of $15 1/2 billion, and installed capacity at the close of 1947 of 41.8 million kw, compared with 33.2 million kw in 1938. Total kilowatt-hour production for 1947 reached a new high record of 208 billion kwh, compared with 181 billion kwh in 1946 and 104 billion kwh in 1938, a doubling of production over the decade.

At the close of 1947, over 38.4 million customers were served, an increase of 37% over 1938, most of the 10.4 million increase in customers having been gained in residential customers, which gained 8.5 million in number. During the decade 1938-1947, kwh sales per residential customer expanded from 853 kwh in 1938 to 1,438 kwh in 1947 per customer, and average annual bill for residential customers increased from $35.31 to $44.43. However, this was traceable to increased use of electricity, as revenue per kwh declined from 4.14¢ in 1938 3.09¢ in 1947. During the same decade, the relative proportions contributed by types of customers have not changed much; residential customers, although contributing only 20% of kw sales, contribute 35% of total revenues, followed by industrial customers, which contribute 52% of sales, but 28% of revenues, and commercial customers, 17% of sales and 26% of revenues.

Longer term growth has been equally impressive. Capacity, which was about 14 million kw in 1920, practically doubled to over 34 million kw in 1930. Production has approximately tripled as compared with the 68 billion kwh produced in 1925. Total revenues, which were $1.5 billion in 1925, have increased 2 1/2 times at the 1947 total of $3.7 billion, a record high for the industry. On the other hand, average revenue per kwh on residential sales has declined from 7.30¢ in 1925 to 3.06¢ in 1947, indicating the longer term trend towards lower rates for residential customers, the type of customers most contributing to revenues.

These gains have been achieved despite the agitation for public ownership which gained impetus with the New Deal. Federally owned capacity has expanded from 300,000 kw in 1935 to 5 million kw in 1947, and other publicly owned capacity has increased in the same period from 2.3 million kw to 5.3 million kw. Total production of publicly owned plants has increased from 5.9 billion kwh in 1935 to 47.7 billion kwh in 1947, more than half of the increase having been in Federally produced power.

As a result of continued expansion in service during

World War II and inability because of shortages and restrictions on use of needed materials to make normal or extraordinary additions to capacity, private electric light and power utilities are now faced with the largest peacetime construction program in their history, involving a total construction program of some $5 to $6 billion over the next four years. As these additions to capacity are achieved, new highs in production, sales and revenues will no doubt be seen, a far cry from the small beginnings of the industry in the late '80s.

The first electric company using incandescent lamps was the Edison Electric Illuminating Company of New York, incorporated in 1880 and commercially operated for the first time in 1882. This company was unquestionably the forerunner of the present electric industry. The genius of Edison had not only invested the incandescent bulb but also developed a complete system of generating facilities, distribution lines, meters and other essential appliances. Over the course of the next two generations a profound change took place. Electricity almost entirely supplanted gas for both interior and outdoor lighting purposes. Gas, on the other hand, after a period of readjustment, emerged as a valuable fuel for domestic cooking and heating and for many industrial purposes. Accordingly, from the turn of the century on, these two great industries have grown side by side and the financial problems of the one have been common to the other.

The Edison Electric Illuminating Company of New York was the forerunner of countless local "Edison Companies" throughout the country. The early financial history of these companies is largely the same. The original capital was provided by local citizens through subscription to common stock. The growth of business was so rapid that additional subscriptions were soon required. The original capitalization of the New York Company of $1,000,000 had to be increased in five years by 150 per cent., bringing the total to $2,500,000 in 1887. In 1890 the common stock again had to be increased, this time by an additional $2,500,000.

The next development of the industry was toward the consolidation of small companies into larger, more compact, operating organizations. This tendency naturally appeared earlier in the gas industry than in the electric field. In August, 1892, the Brush Electric Light Company and the Thomson Houston Electric Light & Power Company of Buffalo were consolidated to form the Buffalo General Electric Company, serving the enture city of Buffalo. In 1907 the Chicago Edison Company and the Commonwealth Electric Company were consolidated to form the Commonwealth Edison Company. In New York, on May 1, 1901, the original Edison Electric Illuminating Company was consolidated with the New York Gas & Electric Light, Heat & Power Company to form the New York Edison Company. Nearly all of the consolidations effected in those days were based upon straight exchanges of capital stock. In some few cases smaller companies were absorbed by large companies by means of outright cash purchases. (See Federal Power Commission, Public Service Commission, Public Utility Act of 1935, Rural Electrification Authority, Tennessee Valley Authority, Tennessee Valley Authority Act.)

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PUBLIC UTILITY STOCKS

Preferred and common stocks of public utility companies in the electric power and light, natural gas, manufactured gas, water, telephone, telegraph and traction industries. Seasoned operating company equities of well established companies in these fields, with the exception of most traction company equities, are generally held in high investment regard. Although railroads are also public utilities by definition, railroad securities are generally classified separately under Railroads.

Merits of public utility stocks may be summarized generally as (1) monopolistic nature of operation conferred by franchises for specified territories; (2) essential nature of the services rendered; (3) State and Federal regulation, which in the interests of both the consumer and the investor, regulates rates, rates of return, capitalizations and security issues, financial practices, and accounting systems; (4) expansion and growth, through economic development of territories served, increase in population, extensions of power lines and pipelines, and increase in average loads.

Financial developments in the past decade have greatly strengthened the position of public utility equities. Outstanding debt and preferred stock of the electric utility industry have been reduced by about $800 million during the period 1937-1946. During this period, fixed charges and preferred dividends have been reduced also by refundings into lower interest and dividend rates. As a result, the industry's coverage of fixed charges and preferred dividends has increased from approximately 1.9 times in 1937 to 2.5 times in

1946. Arrears on preferred stocks, which amounted to about $140 million in 1938, have now been nearly all eliminated.

Common stocks have also benefited substantially from the write-downs aggregating over $1 billion in plant accounts, as compared with more than doubled depreciation reserves and increase of about $500 million in net working capital.

Despite this substantial betterment in financial resources, however, the electric utility industry will need a tremendous amount of new capital to finance a construction program aggregating $5 to $6 billion over the next four years. About 10% of this total, according to the Edison Electric Institute, must come from the sale of common stock. Despite an increase in generating capacity of 25% over the decade 1937-1946, reserve capacity has been reduced to low levels as the result of the substantial gains in kilowatt hour output and sales, which have almost doubled compared with 1937.

Added to the problems involved in obtaining such a large amount of new capital, various holding companies subject to divestment orders under the Public Utility Holding Company Act of 1935 still await favorable market conditions for the distribution of additional operating company equities to be divested. Holding companies with total system assets of $3,218 million are still subject to liquidation or dissolution orders by the Securities and Exchange Commission.

As the result of the break-up of holding company systems already effected, many operating company equities have become available to the public for the first time. From December 1, 1935 to June 30, 1948, a total of some 275 companies in the electric utility industry have been divested by some 55 registered holding companies. During the same period, a total of some 141 companies in the gas utility industry have been divested by some 43 registered holding companies. Non-utility properties of some 163 companies have also been divested by 34 registered holding companies during the same period.

Among the holding companies whose shares are widely held and which are still subject to divestment under the Public Utility Holding Company Act, are:

American Power & Light
Commonwealth & Southern
Electric Bond & Share
Electric Power & Light
General Public Utilities
Louisville Gas & Electric

Middle West Corp.
Niagara-Hudson Power
North American Co.
Philadelphia Co.
Standard Gas & Electric
United Corp.
United Gas Improvement

Divestment plans have often called for listing the operating company equities being distributed, and as a result the number of utility equities listed on the Exchange has increased. The following is a list of various operating company equities listed on the New York Stock Exchange and New York Curb Exchange:

Bridgeport Gas Light*
Brooklyn Union Gas*
California Electric Power **
Central Hudson Gas & Electric*
Cincinnati Gas & Electric*
Cleveland Electric Illuminating*
Columbus & Southern Ohio Electric*
Commonwealth Edison*
Community Public Service**
Consolidated Edison*

Consolidated Gas (Baltimore)**
Consumers Power*
Dayton Power & Light*
Detroit Edison*
Duke Power**

El Paso Natural Gas*
Empire District Electric*
Florida Power*
Gulf States Utilities*
Hackensack Water*

Hartford Electric Light**
Houston Lighting*
Idaho Power*
Illinois Power*
Indianapolis Power & Light*

Laclede Gas Light*
Lone Star Gas**
Maine Public Service**
Missouri Public Service**
Montana-Dakota Utilities**

Mountain States Power**
Mountain States Telephone & Telegraph**
New England Telephone & Telegraph**
Northern Natural Gas*
Ohio Edison*

Oklahoma Natural Gas**
Pacific Gas & Electric*
Pacific Lighting*
Pacific Telephone & Telegraph*
Peninsular Telephone**

Pennsylvania Power & Light*
Pennsylvania Water & Power**
Peoples Gas Light & Coke*
Philadelphia Electric*
Potomac Electric Power*

Providence Gas**
Public Service of Colorado*
Scranton Electric*
South Carolina Electric & Gas*
Southern California Edison*

Southern Natural Gas*
Tampa Electric**
Utah Power & Light**
Virginia Electric & Power*
Washington Gas Light*
Wisconsin Electric Power*

*Listed New York Stock Exchange.
**Listed New York Curb Exchange.

(See Public Utility Bonds, Public Utility Industry.)

PUBLIC WAREHOUSE

See Warehouse Company.

PUBLIC WORKS ADMINISTRATION

Originally created by the National Industrial Recovery Act, passed June 16, 1933, as the Federal Emergency Administration of Public Works, and later reorganized as the Public Works Administration. Under the Government reorganization plan of 1939, the Public Works Administration was transferred to the Federal Works Agency (q.v.). Essentially a "pump priming" agency to stimulate national recovery, the PWA was subsequently placed in liquidation, and is at present reported wholly liquidated.

PUBLICATIONS OF THE NATIONAL MONETARY COMMISSION

See National Monetary Commission.

PUBLICITY DEPARTMENT

A department organized among the larger banks usually under the supervision of a vice-president and in direct charge of a manager. In smaller banks the work may be supervised by the cashier. The chief function of this department is to sell the bank's services and to create new business. In many instances, its activities are grouped together with those of the New Business Department (q. v.).

Bank publicity may be general (indirect) or direct. General publicity is that which makes an indirect appeal, usually through the medium of newspaper and magazine advertisements. The material most frequently used for this purpose is the financial statement. Direct publicity consists of advertising materials, circulars, pamphlets, etc., distributed to a mailing list of selected prospects or present accounts. These circulars may call attention to a new service, e. g., a trust or foreign exchange department; it may be informative, making an appeal to a prospect to use some department of the bank now being neglected; or it may be entirely general in character for the purpose of maintaining contact.

The nature of publicity required depends largely upon the type of institution, commercial banks, savings banks and trust companies all needing to appeal to different motives. Many commercial banks distribute among their customers and prospects a monthly analysis of business and financial conditions. Frequently house organs containing both inspirational and educational material are employed. Savings banks usually make an appeal on the importance of savings as an aid to business opportunity, as a protection against reverses, and as preparation for old age. Trust company literature is still very largely informative, since the average person knows very little about trust company facilities, or the advisability of organizing an estate plan.

Other mediums of publicity applicable to all banking types are street car cards, theatre programs, window displays, trade papers, electric signs, billboards, pamphlets for enclosing with statements, exhibits at fairs, news stories, publication of addresses of officers, and booklets digesting current business conditions, and legislation affecting business and finance.

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PUMP PRIMING

Under the New Deal (q.v.), Federal Government expenditures designed to stimulate general business recovery by injecting Government spending into the money stream. Pump priming expenditures were provided for Federal public works, allocations to State and local governments for public works projects, subsidies and grants to farmers in consideration of reduction of production, unemployment relief, etc.

For the fiscal years 1933-1941, Federal expenditures for the agricultural aid program and unemployment relief totaled as follows:

(in millions)

Fiscal Year	Agricultural Adjustment Program	Unemployment Relief
1933	.....	$345
1934	$289	1,846
1935	712	2,351
1936	533	2,309
1937	527	2,432
1938	362	1,914
1939	787	2,595
1940	1,002	1,919
1941	877	1,694
Totals	$5,089	$17,405

Source--Board of Governors of the Federal Reserve System.

PURCHASE MONEY BONDS

Bonds secured by Purchase Money Mortgage (q.v.), a type of mortgage so called because it is executed as part of the consideration and in part payment for property acquired. Proceeds of issue of Purchase Money Bonds are used to purchase the property by which they are secured. This type of issue is usually resorted to whenever there are outstanding mortgage bonds with after acquired clauses therein, under which any property subsequently acquired would come under the lien. By issuing Purchase Money Bonds, the operation of the after acquired clause of existing mortgage bonds is avoided. (See Purchase Money Mortgage.)

PURCHASE MONEY MORTGAGE

A mortgage given by the purchaser to the seller at the same time of conveyance of land to the purchaser, designed to secure the unpaid balance of the purchase price. The New York Civil Practice Act (Sec. 514) provides that where real property is sold and conveyed, and at the same time a mortgage thereupon is given by the purchaser to secure the payment of the whole or a part of the purchase money, the lien of the mortgage upon that real property is superior to the lien of a previous judgment wholly or partly for a sum of money or directing the payment of a sum of money against the purchaser. Independent of statute, however, New York case law holds that a purchase money mortgage executed and recorded at the same time as another mortgage given in the same transaction has priority over such other mortgage. (See Mortgage.)

PURCHASED PAPER

Commercial paper which has been purchased outright, as distinguished from paper which has been discounted. The Federal Reserve Act defines it as "paper bought through brokers or others with whom the purchasing bank has no direct business relations."

PURCHASING POWER

Ability to buy as determined by income in relation to the price level. The purchasing power of a fixed income, for example, varies inversely with the general price level. That is, a rising price level diminishes the purchasing power of a fixed income whereas a falling price level increases it. An index of purchasing power can be computed by reversing an index of commodity prices. In fact, the Bureau of Labor Statistics computes an index of purchasing power which is a reciprocal of this organization's commodity price index. A cost of living index is, in effect, a purchasing power index, if considered reciprocally. (See Cost of Living Index.)

PUT

A contract which entitles the holder thereof upon demand to sell to the maker (in the New York Put and Call Market, to the endorser, a member firm of the New York Stock Exchange) at any time within the life of the contract, a specified number of shares of a stock at the price fixed in the contract. A Put is the opposite of a Call (q.v.), while a Straddle (q.v.), is both a Put and a Call on the same stock written at the same price and at the same time and identical as to the number of shares and the life of the contract. A Spread (q.v.), is both a Put and a Call on the same stock and identical as to the expiration of the contract, and like a straddle, the spread is really two separate options and either or both sides may be exercised during the life of the contracts.

These options are dealt in by Privilege Brokers (q.v.), who in New York have organized the Put and Call Brokers and Dealers Association, Inc. Put and call contracts sold by members of the Put and Call Brokers and Dealers Association, Inc. carry a guarantee by a member firm of the New York Stock Exchange that the contract will be fulfilled and such endorsement adds to the strength of the contract. Members of the New York Stock Exchange are not permitted to deal in options or privileges on the floor of the Exchange.

Puts and Calls may be purchased for thirty, sixty and ninety days or longer duration, as agreed to by both parties to the contract. They can be purchased at the market price of the stock for an agreed premium at the time of sale between the buyer and the seller or they can be purchased at a price away from the market fixed by negotiation between the buyer and seller.

The insurance function of Put options and Call options is the most important feature of the use of such privileges. Persons who are in the stock market on either the long or short side can use options as a means of protection. The holder of stock who buys a Put or the short seller who buys a Call for protection thereafter knows the exact extent of his risk, irrespective of market fluctuations. Thus, the owner of stock when he purchases a Put knows that if the market price of the stock which he owns moves downward he can, during the life of his Put option, sell stock at the price specified in his Put contract by exercising such Put contract on or before the time of expiration. Conversely, the short seller of stock also knows that if the market advances far beyond his expectation, he can, during the life of his Call option contract, demand delivery or purchase of stock at the price specified in his privilege or option contract.

Puts or Calls need not necessarily be purchased at the time a stock is bought or sold. Individuals who have a substantial profit on their purchases or short sales, which they do not wish to take, because of a further expected rise or decline, but which they nevertheless wish to insure, can do so by purchasing Puts or Calls which serve the purpose of protecting profits.

Illustrating the use of privileges as compared with Stop Loss Order (q.v.), if A and B each buy 100 shares of XYZ at 50; and A buys a Put contract at 48 1/2, but B does not buy a Put contract, but enters a Stop Loss order at 48 1/2: If stock XYZ declines to 47, B is stopped out at or near 48 1/2, since a sale at 481/2 or lower causes his Stop Loss order to become a Market order, and his broker must sell his stock at the best possible price then obtainable. A, who is protected by his Put option, knows that he can always sell during the life of his contract his 100 shares of XYZ at 48 1/2. If stock XYZ rallies to 53, A can sell his stock at a profit because his Put contract enables him to hold his stock until the expiration of the contract, whereas B, whose Stop Loss order became a Market order and was executed, does not benefit from the upturn in market price to 53 subsequently.

If A buys 100 shares of XYZ at 50 and carries it for a period of three months or longer so that he has a substantial profit on it, he can insure his profit by buying a Put at the market for three months (for about $400). If his profit should be 15 points ($1,500), buying a Put would guarantee him a profit of $1,500 less the $400 paid for the Put. If the stock should continue to advance and at the end of six months the stock is selling at 75, he can then sell his stock, thus establishing a $2,500 long term profit, and abandon the Put, thus making the $400 paid for it a short term loss. If the stock did not continue to advance, but reacted to 55, he would exercise his Put at original Put price at 65, thereby establishing a long term profit of $1,100.

There is no tax on Put contracts. Federal and State taxes are required by law to be affixed to Call contracts and must be paid by the buyer of the Call contract. Maximum Federal and State taxes are $10 per 100 shares. All dividends and bonuses on shares which sell "ex" during the life of the option go with the stock. Thus the holder of a Put which sells "ex" must pay to the endorser such dividend or bonus only if he Puts the stock, and the holder of a Call receives such dividends and bonuses only if he Calls the stock. In the matter of rights, the Put and Call Brokers and Dealers Associations, Inc. have ruled that the opening sale of the rights when stock sells ex-rights on the Exchange is automatically the agreed price between the owner of and the seller of the option, and this price is the settlement price when either a Put or Call contract is exercised.

New York Stock Exchange Bulletin M. F. No. 31, dated January 24, 1946, contains the following provisions for member firms in regard to Put and Call contracts:

"Whenever a creditor endorses or guarantees a 'Put' or 'Call' for a customer, the creditor must obtain in the customer's general account the margin customarily required by him on such endorsement or guarantee. A customer owning a 'Call' may sell the stock 'short' in a

general account and later cover the 'short' position by exercising the 'Call.' Such a combination of transactions effected on the same day will not result in an increase of the adjusted debit balance over the maximum loan value of the securities in the account and, therefore, will not require the deposit of margin in the account. A customer owning a 'Put' may instruct his broker to exercise the 'Put' which will create a 'short' position in the account and later in the day cover the 'short' position by a purchase of the stock. Such a combination of transactions effected on the same day will not result in an increase in the adjusted debit balance over the maximum loan value of the securities in the account and therefore will not require the deposit of margin in the account. When a 'Put' or a 'Call' is exercised in a general account resulting in a profit, such profit may not be withdrawn if the account is 'restricted' after the withdrawal."

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PUT OF MORE

See Call of More, Put.

PUTS AND CALLS

See Put, Call.

PYRAMIDING

The use of paper profits as a basis for additional margin, thus permitting further purchases. The term is also applied to the use of collateral,—real estate, stocks, bonds, etc.,—the value of which is temporarily inflated, due to a boom, as a basis for buying more property for speculative purposes. Pyramiding is dangerous practice and is to be condemned.

PYROTECHNICS

An expression used in speculative circles to denote the rapid moving of the price of a stock up or down over a wide range, as a result of manipulation. The expression "gyrations" is sometimes used to indicate the same phenomenon.

PYX

See Trial of the Pyx.

QUALIFICATIONS OF DIRECTORS
See Directors.

QUALIFIED ACCEPTANCE
See Acceptance.

QUALIFIED INDORSEMENT
See Indorsement.

QUANTITY THEORY OF MONEY

The theory that prices (and, therefore, the value of money) vary, other things being equal, with the quantity of money in circulation. As used in this connection, money includes not only gold, but all forms of metallic and paper currency, credit instruments, bank deposits, etc. The quantity theory of money has its basis in the "Equation of Exchange" developed by economists to express the derivation of the price level, which is as follows: $P = \frac{MV + M^1V^1}{T}$ in which P represents the price level; V and V^1, the velocity or turnover of money and bank deposits subject to check; M, the volume of money (specie and paper currency); M^1, bank deposits subject to check; and T, total goods and services sold.

The logic for the theory is found in the general economic principle, that the price of a given commodity depends upon its supply and demand. Since money is a commodity, its value rises and falls in accordance with its supply or quantity. If the quantity of money increases, its value decreases, i. e., prices rise, though not necessarily, in proportion. Likewise, if the quantity of money decreases, its value increases, i. e., prices fall. An increase in money or deposit currency based on gold without a corresponding increase in goods would tend to make money less valuable in terms of goods, and therefore, prices would go up. In other words, as the number of currency units plus credit units rises or falls relative to the volume of goods to be exchanged (or more accurately, to the volume of exchanging or turnover of goods), prices must rise or fall. Thus, prices are the resultant of dividing the total volume of business transactions by the total amount of money available to perform them.

Applied over the long-term, the quantity theory has statistical support. Protagonists of this theory contend that the rise of prices in this country since 1850, and especially since 1896, is to be explained chiefly by the increased production of gold in the world since 1850, and the expansion of credit which has been based upon this increased gold supply. Since gold is a commodity which is not subject to decay or destruction, the total stock increases year by year, and thus adds to the monetary basis for increased supply of money. So long as gold production is maintained, therefore, the world's monetary gold stock will be augmented, and prices will eventually climb. The effects on the price level of increasing the quantity of paper money without gold support are too well known to require further emphasis.

Some economists, while conceding the relation between the quantity of money and the general price level as stated above, maintain that prices rise, not because of an increase in the supply of money, but rather because of an increased demand for goods. Such increased demand compels higher prices, and the supply of money and deposit currency is automatically increased (especially whereever elastic currency is available) in order to perform the added money work made necessary by the augmented volume of trade and higher unit prices. The monetary history of the United States during and after World War I is cited as proof of this contention. This apparent contradiction may be reconciled by stating that the quantity theory of money operates over the long-term, whereas short term or cyclical price changes are not to be explained in the same way, but rather in terms of supply and demand, i. e., short-term market conditions. (See Gold Production, Money.)

QUARANTINE

(1) In navigation law, the regulation itself or the period of time during which a vessel is detained in the harbor or treatment station without unloading or discharging passengers or permitting the crew to go ashore while segregation and treatment for infectious disease proceeds. Every ship clearing a foreign port for a port in the United States is required under U. S. Navigation Laws to obtain from the consular officer of the United States thereat, a bill or certificate of health for the vessel, covering its cargo, crew and passengers.

(2) In real estate law, the common law right of a widow to continue living in her deceased husband's residence for a period of forty days following his death.

QUARTER

This term has two meanings:

(1) The United States silver 25 cent piece. It contains 86.805 grains of pure silver and 9.645 grains of copper alloy, or total weight of 96.45 grains, exactly one-half that of the half-dollar piece. Under the Joint Resolution of Congress of June 5, 1933, all coins and currencies of the United States heretofore or hereafter coined or issued shall be legal tender for all debts, public and private, public charges, taxes, duties, and dues. (See Token Money.)

(2) A unit of measure used in English markets, chiefly in connection with grains. A quarter is 8 bushels.

QUARTER DAYS

The days marking the beginning of each quarter of the calendar year, January 1, April 1, July 1 and October 1,—being the most usual dividend and interest payment dates. In law, quarter-days are those days on which rent, debt instalments, etc. payable quarterly are by law or custom payable.

Most bond interest is paid semi-annually, on January 1, and July 1. The February 1, May 1, August 1 and November 1, quarterly payment dates for stocks have also increased in popularity with corporations and dividend disbursing agents as a means of spreading the load. (See Quarterly Disbursements.)

QUARTER-EAGLE

A former United States gold coin with a denomination of $2.50. It is no longer coined. (See Gold Coins.)

QUARTERLY DISBURSEMENTS

Dividends on stocks, and in rarer cases, interest on

bonds, usually are paid quarterly. The most popular quarterly dates are the calendar quarter-days, January 1, April 1, July 1, and October 1, or "JAJO", the first letters of the quarter-months involved. The next most popular quarterly dates are February 1, May 1, August 1, and November 1, or "FMAN".

Bond interest is usually paid semi-annually, on January 1 and July 1. Income bond interest is customarily paid annually, usually on April 1 or May 1, if earned and declared by directors out of earnings for the preceding calendar year. Bonds which carry a "mixed" rate--the interest rate being partly in fixed interest and partly in contingent interest dependent upon earnings and declaration by directors---usually provide for regular semi-annual payment of the fixed portion of the rate, and for annual payment of the contingent portion, usually on April 1 or May 1, out of earnings for the preceding calendar year.

Corporations which do their own paying of interest and dividends on bonds and stocks, or appoint fiscal agents to distribute interest and dividends, are torn between the desire to place their securities on an investment basis by affording investors periodic disbursements during the year, and the cost-minded objective of keeping down the cost of such disbursements by having fewer disbursement dates. A basic advantage of investing in Investment Company shares is the function of investment companies in collecting interest and dividends paid by corporations on varying disbursement dates, and in turn paying out their own dividends to shareholders based on dividend and interest income on uniform dates, usually quarterly or semi-annually.

In former years, when money rates were sensitive to changes in Excess Reserves (q.v.) of banks, the volume of interest and dividend disbursements, particularly on the heaviest dates, January 1 and July 1, like the volume of income tax payments on income tax dates, used to affect money rates temporarily because of the money "pinch" caused until the payments flowed back to the banks.

QUASI-MUNICIPAL BONDS

See Semi-Municipal Bonds.

QUETZAL

The international monetary unit of Guatemala, which contains the same number of grams of fine gold per unit--0.888671--and has the same par value as the United States dollar- (See Foreign Moneys--Tables 1 and 2.)

QUICK ASSETS

Assets which, in the ordinary course of business, will be converted into cash; or which, in case of emergency, can be quickly realized upon without appreciable sacrifice. (See Current Assets.)

QUINTAL

A metric measure of weight, consisting of 100 kilograms, and equivalent to 220.46 pounds.

See under Metric System.

QUIT-CLAIM DEED

A type of deed which recites that by way of release, the grantor releases to the grantee any and all title or interest which the grantor has in the described property, but containing no warranty or covenants of title

See Deed.

QUORUM

The Comptroller of the Currency requires that the by-laws of all National banks be in conformity with their own articles of association and the National Bank Act. The definition of what constitutes a quorum for the board of directors must be stated in the by-laws. The specimen by-laws which are furnished by the Comptroller of the Currency on request, provide that a majority of directors is required to constitute a quorum and that no business can be transacted without a quorum. It is accordingly the custom among all banks to provide that a majority of the board of directors be present in order to constitute a quorum for the transaction of business. (See Directors.)

QUOTA

(1) In immigration restrictions, the allowable immigration annually for specified nationalities under the Immigration Act of 1924 (see Population).

(2) Under the Sugar Act, imports of sugar into the United States from particular countries are subject to quotas (see Sugar).

QUOTATION TICKER

An instrument—in reality an electrical telegraphic typewriter which can be operated at a great distance—for recording quotations of bonds, stocks, foreign exchange, grain, cotton or other commodities. The instrument, which is the most important item of equipment in every broker's office, prints quotations on a narrow paper ribbon which unwinds from a roll, and is familiarly known as tape. Each important exchange has its own ticker service. (See Ticker.)

Ticker service is not confined to members of the respective exchanges. The service may be purchased by outsiders as well. The New York Stock Exchange owns and manages the New York Quotation Company, which reports quotations to member brokers in the Wall Street district, through the instrumentality of the ticker. The Gold & Stock Telegraph Company, a subsidiary of the Western Union Telegraph Company, receives quotations from the New York Stock Exchange and transmits them by means of its tickers throughout the United States, and Canada, to anybody who may subscribe for the service. An annual rental is paid to the exchange for this concession. (See Quotations.)

QUOTATIONS

Prices at which securities, commodities and other property for which there is a large and ready market are being currently sold, or prices at which they are being currently offered for sale, or which are being bid or offered.

Quotations on principal commodities and securities are of incalcuable importance to the business world, as a means of evaluating collateral and portfolios, inventories, purchases and sales. Speaking of the importance of security quotations, the House of Representatives Committee, which investigated the New York Stock Exchange said:

> "Quotations on its floor determine the current value of all securities there traded in, which means the securities of all the greatest corporations in the coun-

try. Such quotations are adopted by the Courts and Comptroller of the Currency as measures of value, and upon them banks base the amount to be lent on a given security.''

The New York Stock Exchange makes available for publication all quotations, i. e., actual selling prices, and bid and asked quotations at the close of each day's market but does not guarantee them. In fact, no official list of stock exchange quotations is kept; otherwise, the officials of the exchange might find themselves in endless controversies over prices and stock transactions. Complete non-official quotation sheets, giving both stock and bond prices, are published daily by a private concern.

In 1928, the New York Stock Exchange introduced a quotation department to supply bid and asked quotations by telephone to members during the trading session. The quotation department has grown into an important service, with a large permanent staff of operators and pages, automatic board of its own, and building space assigned. A code system and operating procedure have been developed for use in requesting and furnishing such quotations which expedites the service.

RAID

An expression which denotes the free selling of stocks by professional operators who, because the market is temporarily over-bought or because of unfavorable news or knowledge that the market is honeycombed with stop orders not far below current quotations, take advantage of the situation to depress prices in order to enable them to cover at a profit. The term is usually used in connection with the term bear. Market reviewers sometimes report: "The bears raided the market."

RAILROAD AID BONDS

Bonds issued by counties and municipalities for the purpose of rendering financial assistance to projected railroad companies,—especially in the Southern and Middle Western states during the reconstruction period following the Civil War. Some of the railroads were projected by dishonest promoters and in certain instances, were never built, or if started, abandoned and the proceeds of the bonds dissipated or pocketed in whole or in part. Where the railroads were never completed, many of the issues were repudiated, with the result that this class of bonds was very distinctly in public disfavor.

The legality of bond issues for the purpose of aiding private enterprises is questionable and reverts back to one of the fundamental tests for a safe municipal bond—the legality of the purpose and authority for issue. Generally, railroad aid bonds were investments to be avoided.

RAILROAD BONDS

Bonds of railroad corporations. They may be classified as follows:

1. As to Class of Lien
   a. First mortgage
   b. Second mortgage
   c. General mortgage
   d. Debenture
   e. Adjustment
   f. Income
1. As to Security
   a. Mortgage issues
   b. Equipment trust issues
   c. Collateral trust issues
   d. Debentures (unsecured)
3. As to Purpose
   a. Divisional bonds
   b. Extension bonds
   c. Equipment bonds
   d. Terminal bonds
   e. Consolidated mortgage bonds
   f. Refunding bonds.

Railroad bonds of long-established railroad companies are among the most seasoned of corporation bonds, since they have been on the market longer than many other issues, and the value of underlying properties and earning power of the various roads are matters of historical record, and can be readily ascertained. As a class, therefore, railroad bonds customarily enjoyed in the past a higher investment regard than public utility or industrial bonds, but during the 1929-1932 depression, the large number of railroads which went into receivership led to a decline in investment regard for railroad bonds which has since been revived under trimmed capitalizations and adequate rates authorized by the Interstate Commerce Commission.

The greatest drawback to railroad bonds was the narrow margin of net earnings that often prevailed over bond interest charges. As the result of many reorganizations and voluntary retirement of debt, however, American railroads now have a relatively low percentage of bonded debt to total capitalization. As of the close of 1945, the ratio between bonds and stocks of American railroads as a whole was approximately 2 1/4:1. In the decade ended 1945, American railroads reduced funded debt by $2.6 billion, or 23%. (See Adjustment Bonds, Collateral Trust Bonds, Consolidated Mortgage Bonds, Debenture Bonds, Divisional Bonds, Equipment Bonds, Extension Bonds, First Mortgage Bonds, General Mortgage Bonds, Income Bonds, Refunding Bonds, Second Mortgage Bonds, Terminal Bonds.)

RAILROAD CONTINGENT FUND

See Contingent Fund, Recapture Clause.

RAILROAD EARNINGS

The decade 1930-1939 witnessed the worst period of earnings for American railroads in their modern history. A combination of depression influences, inadequate rates, increased costs, and increased competition from competing forms of transportation combined to result in this poor pre-World War II record. The first phase of this period, the depression cycle 1930-1932, saw a 40% shrinkage in operating revenues and a 50% drop compared with 1929. In 1933, operating revenues failed to recover over those for 1932 and the railroads remained in the "red" on net income. The trouble continued in 1934, when despite a gain of over $176 million in operating revenues, net deficit increased. Improvement finally began in 1935 and continued in 1936, but retrogression returned in 1937, and in 1938 the railroads really lost ground. A decline of over $600 million in operating revenues resulted in a net deficit of $122.9 million, the worst showing on net since the 1932 net deficit of $139.2 million.

During this decade, railroad credit touched a low point, with 110 railroads, operating 80,957 miles and with total capitalization of $5,718 million, being placed in receivership or bankruptcy. Worst year in this respect was 1935, when a total of 16 railroads, operating 29,018 miles and with total capitalization of $2,183 million, were placed in receivership or bankruptcy.

Beginning in 1939, the railroads began to recover, and by 1940, gross revenues increased $731.1 million (20%) over the 1938 total, and net income returned to the best level since 1930. Increase in tonnage to past the billion ton level, as compared with 772 million tons in 1938 freight, and rate relief on March 28, 1938, when Ex Parte 123 increases added an estimated $150 million to revenues, were responsible for this pre-World War II improvement.

If it had not been for the substantial 1931-1945 revenues and earnings during World War II, however, it is doubtful that the railroads would be reporting the materially strengthened financial and operating situation of today. War revenues enabled many railroads, especial-

ly those in the hands of receivers or trustees, to increase maintenance outlays and thus improve the physical condition of properties, and in addition, funded debt and fixed charges were reduced, and still net working capital position emerged at a materially higher level. For the period 1940-1945, funded debt was reduced a total of $2,195 million (about 20%), fixed charges were reduced by $95.8 million or 15%, provision for maintenance of way and equipment rose from 30.6% of gross operating revenues in 1940 to 40% in 1945, and net working capital rose from $536.5 million at the close of 1940 to $1,909.9 million at the close of 1945.

Thanks to substantial rate relief since the close of World War II granted by the Interstate Commerce Commission, the railroads have been able to keep operating revenues and earnings at a high level and ahead of the general inflationary rise in costs. Since the close of World War II (to 1948), the railroads have been granted total freight rate increases of 43%. Aided by this rate relief and the rise in freight tonnage in 1947, railroads in 1947 were able to report in many cases the best peacetime earnings in history. However, should tonnage turn downward, maintenance of earnings in the face of continued rise in costs would depend upon further rate relief. Although increases in passenger fares have been also granted to the railroads, passenger business for most railroads is unprofitable even on the basis of the ICC formula for allocation of expenses, and passenger operating revenues in 1947 averaged only 11% of total operating revenues. Basis of railroad earning power, therefore, is freight business.

Tables I and II summarize the fluctuation in recent decades of revenues and expenses, and of coverage of fixed charges and dividends of Class I railroads.

RAILROAD EQUIPMENT BONDS

See Equipment Trust.

RAILROAD INDUSTRY

One of the oldest basic industries in the United States, the railroad industry in America has undergone the full cycle of promotion and development, growth, and maturity since the first railroad in America, the Baltimore & Ohio, was opened in 1829.

Until 1850, the railroads were in a trial period of promotion and experimentation, and the canals were dominant in inland transportation until about the '70s. Beginning in 1850, however, the railroads began to expand aggressively, aided by large land grants from the

Table I.

Condensed Income Account, Class I Railways

(in millions)

	1947	1946	1945	1944	1943	1942	1941	1940	1929
Operating revenues	$8,685	$7,627	$8,902	$9,437	$9,055	$7,466	$5,346	$4,297	$6,279
Operating expenses	6,797	6,357	7,052	6,282	5,658	4,601	3,664	3,090	4,506
Taxes	936	498	823	1,846	1,849	1,199	547	396	397
Equipment and joint facility rentals	171	152	175	203	188	181	137	129	124
Total expenses, taxes and rentals	7,904	7,007	8,050	8,331	7,695	5,981	4,348	3,615	5,027
Net railway operating income	781	620	852	1,106	1,360	1,485	998	682	1,252
Other income	229	209	205	211	201	182	177	169	360
Total income	1,010	829	1,057	1,317	1,561	1,667	1,175	851	1,612
Miscellaneous deductions	45	34	39	41	41	49	39	28	22
Rent for leased roads and equipment	127	125	142	159	167	185	154	147	177
Interest on funded debt--fixed	300	333	365	395	422	461	452	444	487
Interest on funded debt--contingent	27	21	21	26	22	22	17	26	12
Interest on unfunded debt	9	10	14	10	7	11	12	16	13
Funded debt discount amortization	2	2	1	2	1	1	1	1	4
Sinking and other reserve funds	22	17	25	17	28	36	--	--	--
Total deductions from income	532	542	607	650	688	765	675	662	715
Net income	478	287	450	667	873	902	500	189	897

Source--A Year Book of Railroad Information (Eastern Railroad Presidents Conference).

Table II.

Coverage of Fixed Charges and Dividends, Class I Railways

	*Income Available for Charges	*Fixed Charges	Times Fixed Charges Earned	*Net Income	*Cash Dividends
1947	$965	$435	2.22	$480	$237
1946	795	471	1.69	287	235
1945	1,017	523	1.95	450	246
1944	1,276	566	2.25	667	246
1943	1,520	597	2.55	874	217
1942	1,618	659	2.47	902	202
1941	1,137	621	1.84	501	186
1940	824	619	1.32	185	160
1939	725	630	1.20	95	126
1938	503	626	0.82	d-123	83
1937	740	646	1.18	99	168
1936	831	665	1.27	166	170
1935	668	680	1.00	8	126
1934	648	683	0.96	d-17	133
1933	672	691	0.99	d-6	96
1932	527	690	0.80	d-139	92
1931	807	697	1.19	135	330
1930	1,207	704	1.74	524	497
1929	1,589	715	2.25	897	490
1920	1,034	603	1.71	430	272

*In millions. d--Deficit.

Federal Government and the States and subsidies and in 1869, the first transcontinental line was completed, in the decade beginning 1880 total mileage was more than doubled, and in 1887 the Federal Government stepped in for the first time with regulation through the Interstate Commerce Act. The development period may be said to have culminated by 1890, when total mileage owned reached a total of 163,597 miles, with 1,013 steam railroads operating, and with $8 billion investment in road and equipment

In the period 1890-1920, the railroad industry may be said to have reached the zenith in growth. During this period, the number of steam railroads reached a high of 1,564 (1907), and mileage owned reached a high of 254,251 miles (1916). Investment in road and equipment jumped from $8 billion in 1890 to $19.8 billion in 1920, and mileage owned, from 163,597 miles to 252,845 miles. Total operating revenues increased from $1,052 million in 1890 to $6,310 million in 1920.

Beginning in 1920, however, a period of maturity set in which witnessed declines in number of railroads, mileage, and gross revenues. In the two decades 1920-1940, the number of railroads was reduced from 1,085 to 574; mileage owned, from 252,845 miles to 233,670 miles; and gross revenues, from $6,310 million to $4,355 million, gross revenues reaching a low point of $3,138 million in 1933. In the period 1930-1939, a total of 119 railroads, with total mileage of 80,957 miles, or about one-third of all owned mileage, went into receivership or trusteeship. Rate of return upon net property investment declined from 5.35% in 1926 to 1.61% in 1938. During this period, the loss of passenger business and short haul traffic to the automobile and the truck, competition from oil and gasoline pipe lines, air transport, and water carriers, inadequate rates, and the adverse effect of leverage in railroad capitalizations and operations during the decline in gross revenues, all combined to make the railroads a "sick" industry.

Fortunately for the railroad industry, the railroads remained under private operation during World War II, and with competing forms of transportation curtailed by War conditions, a resurgence of railroad prosperity has enabled the railroads to regain their best financial and operating position since that enjoyed before the Federal Government took them over in World War I. During World War II, the railroads took advantage of their refound prosperity by reducing debt and fixed charges, increasing maintenance and capital outlays, strengthening working capital, and emerging from receivership or reorganization with scaled down capitalizations and charges. Since 1940, funded debt has been reduced from $10.6 billion to $8.5 billion, and fixed charges, from $619 million to $435 million; capital expenditures increased from $429 million in 1940 to $865 million in 1947, maintenance increased from $497 million for roadway and structures and $819 million for equipment in 1940 to $1.2 billion for roadway and structures and $1.6 billion for equipment in 1947; and net working capital, despite the large capital expenditures and retirement of debt, has increased from $536.5 million at the close of 1940 to $1.6 billion at the close of 1947.

In the post-World War II years, substantial rate relief and a more sympathetic attitude on the part of the Interstate Commerce Commission towards earnings

problems have been of material assistance to the railroads in retaining earnings gains. For the period 1939-1948, railroad costs have increased about 75%, but substantial rate relief in the form of a 40.8% total rise in freight rates, the "bread and butter" of railroad earnings, and fare increases which have reduced the burden of unprofitable passenger business on operations, have kept railroad earnings from fading in the face of the general inflationary rise in costs. At the close of 1947, the railroad industry operated a total of 226,000 miles of line, with net property investment of $22.9 billion on which rate of return was 3.41% in 1947, and there were 513 steam railroads operating, including 134 Class I roads and 38 Class I switching and terminal companies. At the close of 1947, only 17 Class I and 35 other railroads were in receivership or trusteeship, with total mileage of only 24,200 miles. At the year-end of 1947, there were 6,611 electric, gasoline and Diesel-electric locomotives in services, compared with 5,248 in 1946 and 4,636 in 1945, the rise of the Diesel being one of the chief hopes for more efficient railroad operation in the future.

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RAILROAD LEGISLATION

The history of railroads in the United States is largely a matter of the conflict between the railroads and the Government, the former attempting to effect some means of co-operation in order to avoid unrestrained competition; the latter, on the other hand, attempting to break up forms of co-operation, to compel competition, and at the same time to control rates. As the railroad industry has matured and has encountered problems of over-capitalization, inadequate rates, and competition from competing modes of transportation, previously punitive legislation has given way since 1933 to measures designed to facilitate railroad reorganization and debt adjustment, adequate rates, and equalized competitive conditions. On page 569 will be found an historical chart showing the evolutions of forms of railroad co-operation, control and legislation since 1830. For bankruptcy legislation, see Bankruptcy, National Bankruptcy Act.

RAILROAD STATISTICS

Principal source of statistics on American railroads is the Interstate Commerce Commission. Among the regular monthly publications by the Commission are:

Freight and Passenger Operating Statistics of Class I Steam Railways.

Graphical Supplement to Monthly Reports.

Operating Revenues and Operating Expenses, Class I Steam Railways.

Revenue Traffic Statistics of Class I Steam Railways.

Selected Income and Balance Sheet Items of Class I Steam Railways.

Wage Statistics, Class I Steam Railways.

Fuel for Locomotives, Class I Steam Railways.

Operating Revenues and Operating Expenses of Large Steam Roads--Selected Items for Roads with Annual Operating Revenues above $25,000,000.

Operating Statistics of Large Steam Roads--Selected Items for Roads with Annual Operating Revenues above $25,000,000.

Annual publications of the Commission include:

Annual Report of the Interstate Commerce Commission.

Operating Revenues and Operating Expenses by Class of Service, Class I Steam Railways in the United States.

Comparative Statement of Operating Averages, Class I Steam Railways in the United States.

Statistics of Railways in the United States.

Wage Statistics.

Freight Commodity Statistics, Class I Steam Railways in the United States.

Other primary sources of statistics on railroads are:

Association of American Railroads.

Eastern Railroad Presidents Conference.

Railway Age (Weekly).

Traffic World (monthly).

Mundy's "Earning Power of Railroads".

The statistical services (see Manuals) also provide factual and interpretative services on railroads and their securities. Among these are Moody's "Steam Railroads" (annual manual) together with semi-weekly news supplements; and Standard-Poor's Railroad Securities service.

RAILROAD STOCKS

Equities of railroads, both preferred and common stocks. Guaranteed Stocks (q.v.) of railroads are a separate classification.

Because of the earnings leverage, provided by funded debt in railroad capitalizations and by the high proportion of relatively fixed expenses in operations, railroad equities are ordinarily subject to wide variation in earnings. Consequently, relatively few railroad equities have achieved long term investment status. Among the most highly regarded railroad common stocks are: Atchison, Topeka & Santa Fe; Atlantic Coast Line; Chesapeake & Ohio; Louisville & Nashville; Norfolk & Western; Pennsylvania; Southern Pacific; and Union Pacific. Among railroad preferred stocks, highly regarded issues are: Atchison, Topeka & Santa Fe 5% Preferred, Chesapeake & Ohio 3 1/2% Preferred, Norfolk & Western $1 Adjustment Preferred, and Union Pacific $2 Preferred.

Dividend-paying railroad preferred stocks in which there is widespread public interest or ownership include:

Alabama Great Southern
6% Participating Preferred ($50 par); non-callable.
Atchison, Topeka & Santa Fe
5% Non-Cumulative Preferred ($100 par); non-callable.

EVOLUTION OF RAILROAD LEGISLATION AND CONTROL

Period	Device Used by Roads to Secure Co-operation and Prevent unrestrained Competition	Form of Control	Federal R. R. Legislation.
1830-1850		Unrestrained Competition	
1850-1860	Agreements to maintain rates.		
1860-1870	Pooling—Traffic.	Control by State Legislation.	
1870-1887	Pooling—Money.	Judicial Control (State and Federal)	
1887-1898	Joint Traffic Associations.	Commission with Advisory powers. (No power to fix rates.)	Interstate Commerce Act (1887); Sherman Anti-Trust Law (1890).
1898-1904	Stock Control—formation of securities companies.	Interstate Commerce Commission in 1906 vested with mandatory powers (Power to fix rates subject to determination of reasonableness by Courts).	Elkins Amendment (1903) Hepburn Amendment (1906).
1904-1918	Consolidation (a) By purchase (b) By lease (c) By interlocking directorates.	ICC given power to fix maximum rates.	Mann - Elkins Amendment (1910).
1918-1920	Governmental control; regional co-operation.	Governmental Administration (Complete Powers.)	Federal Control Act (1918).
1920-	Permissive consolidation pursuant to ICC regional plans; pooling permitted subject to approval.	Commission Control with Plenary Powers (full rate-fixing Powers); recapture clause; ICC given authority over security issues.	Transportation Act (1920).
1933	Federal Co-ordinator of Transportation.	Recapture clause repealed; new rate-making rule of lowest cost consistent with adequate and efficient service.	Emergency Transportation Act (1933).
1940	Equalized competition among competing modes of transportation through fair and impartial regulation.	Repeal of requirement that consolidations follow official ICC plans; water carriers placed under ICC; widened aid from RFC.	Transportation Act of 1940.
1948	Agreements between carriers, subject to ICC approval.	Exemption from anti-trust laws.	Bulwinkle Bill (became law in 1948).

Union Pacific
$2 Non-Cumulative Preferred ($50 par); Non-callable.
Virginian
6% Cumulative Preferred ($25 par); non-callable.
Wabash
$4.50 Non-Cumulative Preferred ($100 par); callable at 100.
Western Maryland
$7 Cumulative First Preferred ($100 par); non-callable. Dividend arrears, $140 per share as of July 1, 1948.
Chesapeake & Ohio
3 1/2% Cumulative Convertible Preferred ($100 par); callable at 105.

Chicago & Eastern Illinois
$2 Class "A" ($40 par); cumulative if earned; callable at 40.
Chicago, Milwaukee, St. Paul & Pacific
5% Series "A" Non-Cumulative Preferred ($100 par); callable at 100. Currently outstanding in the form of Voting Trust Certificates.
Chicago & Northwestern
5% Cumulative Convertible Series "A" Preferred ($100 par); cumulative to extent earned; callable at 105.

Chicago, Rock Island & Pacific
5% Non-Cumulative Convertible Preferred ($100 par); cumulative if earned; callable at 105.

Denver & Rio Grande Western
5% Cumulative Preferred ($100 par); cumulative if earned; callable at 100.
Erie
5% Cumulative Series "A" Preferred ($100 par); cumulative up to $15 per share); callable at 100.
Gulf, Mobile & Ohio
$5 Preferred (no par); cumulative to extent earned); callable at 100.
Illinois Central
$6 non-Cumulative Preferred ($100 par); callable at 115.
Kansas City Southern
$4 Non-Cumulative Preferred ($100 par); non-callable.
New York, Chicago & St. Louis
$6 Cumulative Preferred ($100 par); callable at 110. Dividend arrears, $81 per share as of October 1, 1948.
Norfolk & Western
$1 Non-Cumulative Adjustment Preferred ($25 par); non-callable.
Reading
4% Non-Cumulative First Preferred ($50 par); callable at 50.
4% Non-Cumulative Second Preferred ($50 par); callable at 50.
St. Louis-San Francisco
$5 Cumulative Series "A" Preferred ($100 par); cumulative if earned; callable at 100. Currently outstanding in the form of Voting Trust Certificates.
St. Louis Southwestern
5% Non-Cumulative Preferred ($100 par); non-callable.
Seaboard Air Line
$5 Non-Cumulative Convertible Preferred ($100 par); callable at 100.
Southern Railway
$5 Non-Cumulative Preferred ($100 par); callable at 100.
Western Pacific
$5 Cumulative Participating Series "A" Preferred ($100 par); cumulative to the extent earned; callable at 100.

Railroad preferred stocks which are currently non-dividend paying include:

Baltimore & Ohio
$4 Non-Cumulative Preferred ($100 par); non-callable.
Boston & Maine
7% Cumulative Prior Preference ($100 par).
5% Cumulative First Preferred Series "A" ($100 par).
8% Cumulative First Preferred Series "B" ($100 par).
7% Cumulative First Preferred Series "C" ($100 par).
10% Cumulative First Preferred Series "D" ($100 par).
4 1/2% Cumulative First Preferred Series "E" ($100 par).
6% Non-Cumulative Preferred ($100 par).
In August, 1948, Adjustment Plan under the Mahaffie Act was filed, providing for issuance of new $100 par Common in varying ratios for all of the above preferred stocks.
Chicago Great Western
5% Cumulative Preferred ($50 par); callable at 50.
Chicago, Indianapolis & Louisville
5% Participating Class "A" ($25 par); callable at 25; cumulative to extent earned.
Colorado & Southern
4% Non-Cumulative First Preferred ($100 par); callable at 100.
4% Non-Cumulative Second Preferred ($100 par); callable at 100.
Maine Central
6% Cumulative Prior Preference ($100 par).
Missouri-Kansas-Texas
7% Cumulative Preferred Series "A" ($100 par); callable at 110. Adjustment Plan under the Mahaffie Act was in process of formulation in mid-year 1948 to settle arrears of interest on the road's Adjustment 5s, 1967 and arrears of dividends on this preferred stock.
Missouri Pacific
$5 Cumulative Preferred (in receivership).
New York, New Haven & Hartford
$5 Series "A" Cumulative Convertible Preferred ($100 par); cumulative if earned; callable at 100.
Western Maryland
$4 Non-Cumulative Second Preferred ($100 par); callable at 100.

Dividend-paying common stocks include:

Alabama Great Southern
Atchison, Topeka & Santa Fe
Atlantic Coast Line
Canadian Pacific
Chesapeake & Ohio
Chicago, Burlington & Quincy
Chicago & Northwestern
Chicago, Rock Island & Pacific
Delaware & Hudson
Delaware, Lackawanna & Western
Denver & Rio Grande Western
Erie
Great Northern (Non-Cumulative Preferred), but since it is the only equity of the road, it is akin to a common stock)
Gulf, Mobile & Ohio
Illinois Terminal
Louisville & Nashville
Minneapolis & St. Louis
Minneapolis, St. Paul and Sault Ste. Marie
Muskogee
Nashville, Chattanooga & St. Louis
Norfolk Southern
Norfolk & Western
Northern Pacific
Pennsylvania
Pittsburgh & Lake Erie
Reading
St. Louis Southwestern
Southern Pacific
Southern Railway
Texas & Pacific
Union Pacific
Virginian
Western Pacific
Wheeling & Lake Erie

Non-dividend paying common stocks include:

Baltimore & Ohio

Bangor & Aroostook
Boston & Maine
Central Railroad of New Jersey (in receivership)
Chicago & Eastern Illinois
Chicago Great Western
Chicago, Indianapolis & Louisville Class "B"
Chicago, Milwaukee, St. Paul & Pacific
Colorado & Southern
Illinois Central
Kansas City Southern
Lehigh Valley
Maine Central
Missouri-Kansas-Texas
Missouri Pacific (in receivership)
New York Central
New York, Chicago & St. Louis
New York, New Haven & Hartford
New York, Ontario & Western
Pittsvurgh & West Virginia
St. Louis-San Francisco
Seaboard Air Line
Western Maryland

RAILROAD TRANSPORTATION (EMERGENCY) ACT OF 1933

An act, approved June 16, 1933, which, among other things:

(1) Established a system of railroad control headed by a Federal co-ordinator of transportation to work in co-operation with the roads and with labor to effect economies, but not at the expense of wage-earners;

(2) Provided that appeals from the decisions of this co-ordinator, appointed by the President with Senate consent, might be taken to the Interstate Commerce Commission, his orders, unless revoked by the commission, to have the force and effect of orders of the commission;

(3) Authorized the creation of three co-ordinating committees to operate with the co-ordinator, one each for the Eastern, Southern and Western groups of roads, each committee containing seven members, five representing the major roads, one representing steam roads with operating revenues under $1,000,000 in 1932 and another representing electrical systems not connected with steam railways. The act provided that the railroads were to be assessed $1.50 a mile to cover the expenses of this set-up;

(4) Required the co-ordinator and the committees to encourage, promote and require action by the carriers to avoid waste and preventable expense; to promote financial reorganization of the carriers, with due regard to legal rights, to reduce fixed charges to the extent required by public interest and improve carrier credit, and also to provide for the immediate study of other means of improving conditions surrounding transportation in all its forms; and

(5) Set aside the anti-trust laws whenever necessary to carry out the co-ordinator's orders.

RAILS

An expression used in stock market parlance and reviews to designate railroad stocks as a class, as distinguished from the "industrials," meaning industrial stocks.

(See Railroad Stocks.)

RAISED BILLS

Paper money the denominations of which have been fraudulently raised. Raised bills are much more frequent and persistent in their recurrence than counterfeits. There are two methods of raising the denominations on paper money. One is to cut off the figures on the corners of a large denomination and paste them over the figures on the corners of a smaller denomination. Another method is to bleach out by acid the figures on small denominations and skillfully insert higher ones with waterproof ink. Raised bills are much more readily detected than counterfeits. By knowledge of the engraved portraits which the genuine bills carry, it is a simple matter to distinguish a raised bill. Each denomination, of the various kinds of paper money carries a given engraved portrait. For instance, the $1 United States note carries the portrait of Washington; the $5 Federal Reserve note carries the portrait of Lincoln, etc. Paying tellers, receiving tellers, money clerks and other employees handling money should acquaint themselves with the portraits appearing on each denomination of various kinds of paper money. These are given in a chart under Denominational Portraits (q.v.).

RAISED CHECK

See Alteration, Check, Check Protecting Devices.

RALLY

An expression used in stock market parlance and literature to indicate a rise in prices following a sudden decline.

RATE

See Bank Rate, Foreign Exchange, Money Market, Rate of Exchange, Rediscount Rate.

RATE BASE

In public utility regulation, the valuation placed upon property in use for the purpose of authorizing schedules of rates allowing a fair rate of return, usually 6%, in the absence of franchise restrictions. Despite State provision for administrative agencies (see Public Service Commission) to regulate such matters, the courts from an early period have entertained appeals on the issue of fairness or reasonableness of rate bases and rate matters.

Until recent years, most State regulatory commissions followed reproduction cost new, less accrued depreciation, in determining rate bases. However, as the result of the Hope Case, in which the U. S. Supreme Court held reasonableness to be the test, State and Federal regulation has been free to adopt prudent investment or original cost as well in determining rate bases. (See Public Utility Industry.)

RATE OF EXCHANGE

The market or commercial price at which a foreign currency is quoted; the price of the money of one country quoted in the money of another. "The rate of exchange is that rate expressed in terms of local currency which bills of exchange drawn on foreign currency payable at a foreign point, command" (L. H. Langston). (See Foreign Exchange.)

RATE OF INTEREST

See Interest, Money Market.

RATING

Grade; classification. A credit rating is a letter or number used by a mercantile or other agency in reports and credit rating books to denote the ability and disposition of various businesses (individual proprietorship, partnership or corporation) to meet their financial obligations.

Ratings are used as a guide to the investment quality of bonds and stocks, based on security of principal and interest (or dividends), earning power, mortgage position, market history, and marketability. (See Bond Ratings, Capital Ratings, Credit, Credit Rating, Grades.)

RATIO

See Credit Barometrics, Current Ratio, Federal Reserve Statement, Mint Ratio, Reserve Ratio.

RATION BANKING

The ration banking program, as announced in the Federal Reserve Bulletin (August, 1947), was terminated effective July 1, 1947. The Ration Banking Plan, as described in the Federal Reserve Bulletin for February, 1943, was developed by the Office of Price Administration with the cooperation of Federal and State bank supervisory authorities, the American Bankers Association, and representative bankers. After having been tested in 33 banking offices in the Albany-Troy-Schenectady area of New York, the Plan was placed in operation on a nation-wide basis in January, 1943. Under ration banking, ration stamps, coupons, certificates, tokens, and other ration evidences taken in by storekeepers, wholesalers, and other sellers of rationed commodities in the course of business from their customers were deposited with the participating banks to the credit of the ration accounts of the depositors. Ration bank accounts were handled in much the same manner as regular bank accounts except that they were kept in units of measure instead of units of value. The ration depositor drew ration checks on his ratio account in favor of his supplier of goods. The general public did not participate in ration banking. In addition to thousands of commercial banks which participated in the Ration Banking Program, states the Federal Reserve Bulletin, the facilities of the Federal Reserve Banks and their 24 branches were used in effecting the clearance of ration checks.

Although now terminated, the Ration Banking Program is noteworthy as evidence of the broadened new business policies of commercial banks in recent years. (See New Business Department.)

RATIO OF CURRENT ASSETS TO CURRENT LIABILITIES

Same as Current Ratio (q. v.).

RATIO OF CURRENT ASSETS TO TOTAL LIABILITIES

One of the tests applied to a financial statement by bank credit men in the appraisal of a credit risk. The purpose of this test is to determine the immediate position of the prospective borrower in case of forced liquidation. Fixed assets cannot be converted into cash in a short time; consequently if the current assets are sufficient to liquidate the entire liabilities, the position is regarded as extremely sound. That is to say, a 1 to 1 ratio would be highly satisfactory. Wherever bonds mature within a short time and no sinking fund or other assets exist with which to redeem the issue, a 1 to 1 ratio between current assets and total liabilities is obviously insufficient, unless it is intended to refund the bonds. Where there are no fixed liabilities, this ratio will be identical with the Current Ratio (q. v.). (See Statement Analysis.)

RATIO OF DEBT TO NET WORTH

One of the tests applied to a financial statement by bank credit men in the appraisal of a credit risk. The purpose of this test is to determine the proportion of the capital used in the business which has been furnished by the owners as compared with that furnished by creditors, i. e., the relation between "share capital" and "loan capital." Each type of business must set its own standard and this ratio should be studied from year to year in order to determine what ratio is normal to it. The idea of normality can also be gained by comparison with conditions among other concerns in the same line of business. If the proportion of total debt to net worth is too high, such over-trading on the equity may expose solvency to danger, because earnings upon borrowed capital may not be sufficient to pay the cost of carrying it.

Generally speaking, total debt should not exceed net worth. A business which has a low ratio of debt to net worth is in a better credit situation than one which has a high ratio. From a comparative standpoint, if the tendency from year to year is toward increasing net worth rather than increasing total debt, the condition may be regarded as favorable; contrariwise, as unfavorable.

(See Statement Analysis.)

RATIO OF FIXED ASSETS TO NET WORTH

One of the tests applied to a financial statement by bank credit men in the appraisal of a credit risk. The purpose of this test is to determine whether the investment in fixed assets has been furnished by the owners of the business. Properly the owners should furnish all the capital required for plant and in addition a considerable portion of the working capital, since it gives them greater power to expand their business and draw upon the credit of banks.

Generally speaking, the lower the ratio of fixed assets to net worth, the better the condition disclosed. (See Statement Analysis.)

RATIO OF MERCHANDISE TO RECEIVABLES

One of the tests applied to a financial statement by bank credit men in the appraisal of a credit risk. This ratio is determined by dividing the value of merchandise by the sum of the accounts and notes receivable. Usually these items constitute the greater part of the current assets, but they are quite dissimilar in nature. Receivables represent claims against others, while merchandise represents possession of physical goods. The value of the former depends upon the credit standing of the names to which goods have been sold and therefore does not represent certain value, since experience shows that losses are bound to occur in converting receivables into cash. Merchandise, however, represents value in hand, since it may be sold for cash as well as for credit. On the other hand, profits have been anticipated in receivables, whereas merchandise is still carried at cost or market (whichever is lower).

While it cannot be absolutely stated that receivables represent a better asset than merchandise, under normal conditions where credits are cautiously extended and where the merchandise is specialized in character and subject to wide market fluctuations, they are ordinarily regarded as superior.

The purpose of this ratio is to determine the relative balance between receivables and merchandise particularly with reference to (a) whether the business is overbuying or overproducing, and (b) whether the accounts are fully collectible. If receivables increase relatively faster than merchandise, it may indicate laxity in collection methods or a too liberal policy, but if merchandise increases relatively faster than receivables, then overbuying or overproducing may be indicated. Generally speaking, a swing toward receivables accompanied by a rising current ratio is a favorable indication. (See Statement Analysis.)

RATIO OF MERCHANDISE TO SALES

Same as Merchandise Turnover (q. v.).

RATIO OF NET PROFITS TO NET WORTH

One of the tests applied to a financial statement by bank credit men in the appraisal of a credit risk. The purpose of this test is to determine the capacity of the business to make sustained profits over a period of time. The rate of profits for a single year is not conclusive nor necessarily significant. The period of review should include both prosperous and depressed times. In applying this test, note should be taken of the following points: (1) whether the rate of net profits is normal for the type of business in question; (2) to what extent profits are due to a rise in inventory values; and (3) whether the trend of the ratio is upward, downward, or stationary. (See Statement Analysis.)

RATIO OF PLANT TO NET WORTH

Same as Ratio of Fixed Assets to Net Worth (q. v.).

RATIO OF RESERVES TO LIABILITIES

See Reserve Ratio.

RATIO OF SALES TO RECEIVABLES

Same as Account Turnover (q. v.)

REACTION

This term is used in a specific and general sense. A reaction in the stock market or of a special stock means a reversal of the price trend which up to the time of the reaction has been upward. A temporary reaction in prices in an advancing market is sometimes said to be normal and healthy. In a general sense, also, reaction means a decline in the volume of business transacted in the country, i. e., a period of depression. (See Business Cycle.)

READILY MARKETABLE STAPLES

As defined by the Board of Governors of the Federal Reserve System in Regulation C, a readily marketable staple is: "An article of commerce, agriculture, or industry of such use as to make it the subject of constant dealings in ready markets with such frequent quotations of price as to make (a) the price easily and definitely ascertainable, and (b) the staple itself easy to realize upon by sale at any time."

According to rulings of the Board of Governors of the Federal Reserve System, while non-perishable commodities are not expressly restricted as eligible staples, banks, as a matter of prudence, should not consider as eligible any staple which is in its nature so perishable as not to be reasonably sure of maintaining its value as security, at least for the life of the draft which is drawn against it.

(See Eligible Paper, Rediscount.)

READJUSTMENT

This term has two meanings:

(1) A term similar in its meaning to reorganization, the chief difference being that in the former, the proceedings are under Court jurisdiction under a receiver or trustee, while a readjustment is made voluntarily on the part of the security holders under company jurisdiction without resort to the courts. The Mahaffie Act of 1948 permits railroads, under Interstate Commerce Commission supervision, to effect readjustment plans upon consent of 75% of each class of security affected, without the necessity of invoking Bankruptcy Act reorganization procedure. (See Recapitalization.)

(2) That phase of a business cycle following a crisis, or panic and emergency liquidation, in which the normal equilibrium between demand and supply is in the process of being restored. It is characterized by a curtailment of production in most lines but in varying degrees, by achieving lower production costs through increased efficiency in labor and management, by lower prices, smaller profits, greater thrift exercised by consuming public, etc. The readjustment period precedes the period of recuperation which leads finally to prosperity. The period of readjustment immediately follows the period of industrial or business depression.

(See Business Cycle.)

REAL ESTATE

The non-legal term for Real Property, and comprising land, buildings and appurtenances thereto. Mortgage companies, real estate brokers, agents and operators generally classify land as rural, farm, and urban (city) property. The latter also includes suburban property. City real estate is further classified as essential and non-essential. Residences, and business property (stores, offices, and factory sites) are essential; theatres, museums, club houses, churches, and other buildings of like character, also outlying vacant land, are non-essential.

Residential property is subdivided into single and multiple family houses (apartment or tenement houses). Business property is subdivided into retail, wholesale, factory, and office buildings. Of business property, buildings occupied by retail stores usually offer the highest class of security. Special purpose properties are those improved for a specialized use. (See Real Property.)

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REAL ESTATE BOARD OF NEW YORK

See New York Real Estate Board.

REAL ESTATE BONDS

Bonds secured by mortgages or trust conveyances of real estate. In the investment sense, real estate bonds are a series of bonds issued in convenient denominations with a mortgage on real estate as security. Usually such bonds were issued by a mortgage or investment company, which, in addition to furnishing mortgage security, guaranteed the bonds by indorsement. Mortgage Certificates (q. v.) were a variant of real estate bonds.

The investment quality of real estate bonds depends upon (1) the productivity of the mortgaged real estate; (2) the ratio of bonds issued to the conservative value of the mortgaged property; (3) whether the real estate is adequately insured; (4) provision for amortization of the loan by the mortgagor. and (5) the financial standing of the issuing company. Where real estate bonds are lawfully issued and in conformity with conservative principles of mortgage finance, they are comparable in safety with mortgage loans, but the 1929-1932 depression exposed weaknesses in many real estate bonds traceable chiefly to non-observance of conservative financing practices during the boom of the late '20s.

(See Mortgage Bonds, Mortgage Loans.)

REAL ESTATE LOANS

See Mortgage Loans.

REAL ESTATE MORTGAGE

See Mortgage, Mortgage Bonds, Mortgage Loans.

REAL MONEY

Roughly, metallic money. Money made of a commodity (and in the leading commercial nations, one of the precious metals having value otherwise than in its money function). Money manufactured from a metal having known and recognized commodity (commercial) value, e. g., gold, silver, nickel, copper. Such money is not necessarily standard money, although gold is a standard with most nations. Real money is to be distinguished from paper money, which is representative money (e. g., Federal Reserve Notes or silver certificates), or credit or fiduciary money with or without a specific pledge of assets as security. Real money is also to be distinguished from such money equivalents as checks, drafts, promissory notes, and money orders.

REAL PROPERTY

In law, the term Real Property is technically defined as including land, tenements and hereditaments. "Land" includes the soil or ground and everything growing therein, attached or appurtenant thereto, such as grass, trees, growing crops, fences, buildings, etc. In Anglo-American jurisprudence, ownership of the land extends to the surface, the soil beneath "to the center of the earth", and the air space above (under modern modification of this doctrine, the air space above subject or reducible to user or to a reasonable height). "Tenements" is an inclusive term including land as well as all rights or interests in or pertaining to land. "Hereditaments" is an all-inclusive term embracing everything that may be inherited, tangible or intangible, including family heirlooms. (See Personal Property, Real Estate.)

REAL STOCK

"Long" stock; stock held and deliverable by outright or margin owners, as distinguished from stock which has been sold short.

REALIZATION

The process of converting assets,—securities, receivables, merchandise, or fixed property, etc.,—into cash by sale. It is a variant of the term sale, or selling, whether the sale is in the ordinary course of business, a forced sale, or profit-taking sale.

REALIZATION VALUE

The price at which an asset is actually sold, as distinguished from its book, cost, or inventory value; the prices realized through liquidation.

REALTY

See Real Estate, Real Property.

REBATE

In banking practice, a deduction, drawback, allowance, if a borrower pays interest in advance on a six months' note and then by consent of the lender, pays off the debt one month before maturity. Wherever a note is liquidated before maturity with the lender's consent, the borrower is entitled to receive back interest for one month. This is called a rebate of interest.

Rebates on freight rates were prohibited by the original Interstate Commerce Act of 1887 (see Interstate Commerce Act).

REBATED ACCEPTANCE

The same as Anticipated Acceptance (q. v.).

RECAPITALIZATION

Any voluntary changes in respect to the capitalization of a corporation, effected by the corporation without resort to the jurisdiction of the courts, as in Reorganization (q. v.).

Under the Stock Corporation Law of New York State, a stock corporation may effect changes in capitalization by filing certificate in accordance with Sec. 36 of the Stock Corporation Law outlining the changes in capitalization and including specification that such changes were approved by stockholders at meeting called upon notice pursuant to Sec. 45 of the Stock Corporation Law.

If the certificate classifies or reclassifies outstanding shares of any class, or authorizes shares having preferences which are in any respect superior to the preferences of the outstanding shares of any class having preferences, or provides that shares of any class may be converted into shares of any other class or into shares of any other series of the same class, or alters the terms or conditions of shares of any class which are either convertible or issuable upon conversion, the certificate shall include a statement that the officers subscribing and acknowledging the certificate as required have been authorized to execute and file it by the votes, cast in person or by proxy, of the holders of record of two-thirds of the outstanding shares of each class which will be adversely affected by the proceedings provided for in the certificate and which was entitled to vote at the stockholders' meeting called for the purpose.

Dissenting stockholders are entitled to the appraised value of their stock upon timely notice and demand therefor. Sec. 38 of the Stock Corporation Law provides that if the certificate:

(a) Alters or abolishes any preferential right of any outstanding shares having preferences, affecting the holders of such shares adversely; or

(b) Creates, alters or abolishes any provision or right in respect of the redemption of any outstanding shares or of any sinking fund for the redemption or purchase of any such shares, affecting the holders of such shares adversely; or

(c) Limits or denies any pre-emptive right of the holders of any outstanding shares to subscribe for shares or other securities of the corporation, or alters or abolishes any provision affecting any such right contained in the certificate of incorporation or other certificate filed pursuant to law, so as to affect adversely the preemptive right of such holder; or

(d) Abolishes any voting right of the holders of shares of any class or limits their voting rights, except as the same may be limited by the voting rights given to new shares of any class authorized by the certificate;

--Any holder of any such shares not in favor of such action may at any time prior to the vote authorizing such action--or if notice of the meeting to vote upon such action was not mailed to stockholders entitled to receive such notice at least 20 days prior to the taking of such vote, then within 20 days after the mailing of such notice--object to such action and demand payment for his stock, and thereupon such stockholder or the corporation shall have the right, subject to the conditions and provisions of Sec. 21 of the Stock Corporation Law (which outlines the procedure for determination of the value of stock of objecting stockholder) to have such stock appraised and paid for as provided in that section.

Such objection and demand must be in writing and filed with the corporation. If the action is effected without a meeting, the time of such stockholder to file his objection and demand shall expire on the 20th day after the mailing to such stockholder of a notice stating the nature of such action and the date on which a certificate pursuant to Sec. 36 of the Stock Corporation Law and executed as prescribed by Sec. 37.

Sec. 37 of the Stock Corporation Law imposes an important limitation upon recapitalization, designed for the benefit of creditors. If the amount of the capital be reduced, or if issued shares be reduced as to par value or eliminated thereby, there shall be annexed to the certificate an affidavit of the president or a vice-president of the corporation and also an affidavit of the treasurer or of a majority of the directors stating either (a) that no distribution of assets to the stockholders will be made in connection with the proposed reduction, or (b) that the actual value of the assets of the corporation is not less than the total amount of the debts and liabilities of the corporation plus the proposed amount of its capital.

RECAPTURE CLAUSE

Part of section 15a of the Interstate Commerce Act, as amended in section 422 of the Transportation Act of 1920, but which was repealed retroactively, as explained below, by the Emergency Railroad Transportation Act of 1933. The recapture clause, in effect from 1920 to 1933 provided that if any carrier received for any year a net railway operating income in excess of 6 per cent. of the value of its railway property it was to pay over one-half of such excess to the Commission for the purpose of establishing and maintaining a general railway contingent fund. The other half of the excess was to be placed in a reserve fund. The carriers which earned in excess of 6 per cent. on property value might draw upon this reserve fund to the extent that their net railway operating income for any year was less than a sum equal to 6 per cent. of the value of their property devoted to the service of transportation. When this fund equalled 5 per cent. of the value of its railway property, such excess railway operating income as is payable to the carrier might be used for any lawful purpose, including extra dividends.

This clause was sustained in a decision rendered in December, 1923, of the United States Supreme Court in an appeal taken by the Dayton-Goose Creek Railway Company (in which nineteen other large railroads joined) from the decision of the United States District Court for the Eastern District of Texas.

Repeal of the recapture clause was provided for in the Emergency Transportation Act of 1933, which stated:

"All moneys which were recoverable by and payable to the Interstate Commerce Commission, under paragraph (6) of Section 15A of the Interstate Commerce Act, as in force prior to the enactment of this act, shall cease to be so recoverable and payable; and all proceedings pending for the recovery of any such moneys shall be terminated.

"The general railroad contingent fund established under such section shall be liquidated and the Secretary of the Treasury shall distribute the moneys in such fund among the carriers which have made payments under such section, so that each such carrier shall receive an amount bearing the same ratio to the total amount in such fund that the total of amounts paid under such section by such carrier bears to the total of amounts paid under such section by all carriers; except that if the total amount in such fund exceeds the total of amounts paid under such section by all carriers such excess shall be distributed among such carriers upon the basis of the average rate of earnings (as determined by the Secretary of the Treasury) on the investment of the moneys in such fund and differences in dates of payments by such carriers."

The amount which had been paid into the railroad contingent fund during the approximate thirteen years of effectiveness of the recapture clause was about

$10,000,000. (See Transportation Act of 1920, Railroad Transportation (Emergency) Act of 1933.)

RECEDE

A term meaning to incur a setback in commodity and security prices; to experience a decline or shrinkage in values. To distinguish between a major cyclical downswing and a mild intermediate recession, business activity may in the latter case be said to recede. (See Business Cycle.)

RECEIPT

An evidence of payment; a written acknowledgment given by one who receives money or other property to one who pays money or delivers property. The use of formal receipts has been practically abandoned in modern business. It is more customary for creditors to render statements of account to debtors periodically, and if payment is made in cash, the statement is stamped, "Paid." Payments are usually made by check, however, and since the check must be indorsed by the payee (creditor) it constitutes a satisfactory evidence of payment after it has been returned to the drawer by his bank. Many concerns print upon their statements a notice to the following effect: "No receipt necessary. Your cancelled check is your voucher.' An ordinary receipt acknowledging payment of a debt is non-negotiable because it is not a promise to pay money, and thus not negotiable under the Negotiable Instruments Law. On the other hand, non-negotiable instruments made to order, such as an order bill of lading a warehouse receipt, can be assigned by indorsement. (See Cancelled Checks, Temporary Receipt, Trust Receipt, Warehouse Receipt.)

RECEIVABLES

A general term to include the combined aggregate of accounts and notes receivable.

RECEIVER

A person appointed by an equity court to take custody of the property of a debtor and preserve the business for the benefit of creditors under the supervision of the court. In non-statutory equity receivership, the receiver's duties and powers are defined by the order of the court appointing the receiver, but where statutes apply, the receiver's duties and powers are governed by the statutes under the supervision of the court.

Statutory receivership procedure is outlined in Chapters I-VII of the National Bankruptcy Act (q.v.). Where Federal statutes do not apply, State bankruptcy statutes will govern; and should there be no applicable State statutes, equity receivership under principles of equity jurisprudence will be applied by the court. Equity receiverships, however, are now rare in view of the coverage of most cases by statutes.

(See Receivership, Reorganization.)

RECEIVER'S CERTIFICATES

Obligations issued by a Receiver (q.v.) with the approval of the court having jurisdiction, to provide working capital for an insolvent concern, the affairs of which are in the custody of the receiver. Issuing receiver's certificates is the most convenient means by which additional capital can be secured to revive a business in straits, since business failures are often caused by a lack of adequate capital.

In order to procure a ready market for receiver's certificates, the court usually permits them to take precedence over first mortgage bonds, or other debt of the debtor, especially in the case of a railroad, or other public utility corporation, where public policy demands its continuance as a going concern. They are usually short term obligations and are ordinarily unsecured.

Due to the conditions under which they are issued and practical certainty that both principal and interest will be paid, receiver's certificates are entitled to an investment rating at least equal to the first mortgage bonds of the debtor in receivership. Receiver's certificates are not preferred claims, such as taxes and wages.

RECEIVERSHIP

The legal status of a debtor placed in either equity or statutory proceedings as an insolvent. Equity receiverships refer to non-statutory proceedings, governed by principles of equity jurisprudence in the absence of statutes, as contrasted with statutory receiverships governed by the details of the applicable statutes. With the passage of Federal bankruptcy legislation in 1898 and numerous amendments since, Federal statutes have supplanted State statutes, or where no State statutes applied, non-statutory equity procedures, as Congress is vested by the United States Constitution with power to legislate on the subject of bankruptcies. Equity receiverships today are therefore rare, as either Federal or State statutes invariably control.

Chapters I-VII of the National Bankruptcy Act cover receiverships. The Act applies to debtors insolvent both in the equity sense, inability to meet debts as they mature, and in the bankruptcy sense, an excess of liabilities over assets. The former concept of liquidation for the benefit of creditors has been supplemented by the modern concept of reorganization and arrangements, as covered in other chapters of the Act.

In receiverships, the debtor is placed in the jurisdiction of the court, and the management loses control. The court appoints initially a Receiver (q.v.), whose duties are prescribed in the court order appointing him and often include, besides the basic duty of taking custody and preserving the property of the debtor, operation and administration of the business, including the borrowing of money for current purposes through issuance of Receiver's Certificates (q.v.) with court approval. Upon adjudication of bankruptcy of the debtor by the court, the receiver was usually supplanted by a trustee for the benefit of creditors. Where State or Federal statutes apply, however, the court follows the applicable statute, and the receiver's duties are defined thereby.

Under Sec. 12B of the Federal Reserve Act, the Federal Deposit Insurance Corporation (q.v.) shall be appointed by the Comptroller of the Currency as receiver for any closed insured National bank or District of Columbia bank, closed either by action of its board of directors or by the Comptroller of the Currency on account of inability to meet the demands of its depositors. No other person shall be appointed as receiver of such closed insured bank. It shall be the duty of the corporation as such receiver to realize upon the assets of the closed bank, having due regard to the condition of credit in the locality; to enforce the individual liability

of directors thereof; and to wind up the affairs of such closed bank in conformity with the provisions of law relating to the liquidation of closed National banks except as modified by this Section (other laws relating to receivership of National banks include Secs. 5205, 5220 and 5234 of the Revised Statutes, and Sec. 31 of the Banking Act of 1933). The corporation shall retain for its own account such portion of the amounts realized upon such liquidation as it shall be entitled to receive on account of its subrogation to the claims of depositors, and it shall pay to depositors and other creditors the net amounts available for distribution to them. With respect to such closed bank, the corporation as receiver shall have all the rights, powers, and privileges possessed by or granted by law to a receiver of an insolvent National bank.

Similarly, whenever any insured State bank (except a District bank) shall have been closed by action of its board of directors or by the authority having supervision of such bank, on account of inability to meet the demands of depositors, the Federal Deposit Insurance Corporation shall accept appointment as receiver thereof, if such appointment is tendered by the authority having supervision of such bank and is authorized or permitted by State law. With respect to any such insured State bank, the corporation as receiver shall possess all the rights, powers and privileges granted by State law to a receiver of a State bank.

RECEIVING TELLER

The teller, sometimes known as the second teller, whose function it is to receive deposits of cash items from customers over the window. His duties are exactly opposite to those of the paying teller, but the two tellers jointly handle the inflow and outflow of the bank's cash. In a commercial bank, the deposits over the receiving teller's window consist of cash (metallic and paper money), checks, drafts, and matured coupons; checks being in the great majority. The receiving teller receives only those deposits which are the equivalent of cash, and for which the depositor receives credit at the time of deposit before collection is actually effected. Checks may not be drawn on uncollected balances, and interest on out-of-town checks is deferred until collection is made. All items, except cash, are subject to cancellation of credit in case they are returned unpaid.

The receiving teller's responsibilities are second in importance only to those of the Paying Teller (q.v.). In receiving deposits he is required to observe the following points:

(1) Compare the title of the account on the passbook with that on the deposit slip for agreement. This is important since depositors may have several special accounts, e. g., payroll account, dividend account, interest coupon account, named officer as treasurer account, sinking fund account, etc.

(2) The deposit slip must be correctly dated. It is an original entry record and as such it is admissible into court as evidence. If found to be incorrect, the receiving teller should correct it.

(3) After separating the cash from the checks, the cash should be counted first. Should the cash be in excess of the amount listed on the deposit slip, it is advisable to notify the depositor immediately over the telephone. The depositor's instructions may be to increase the deposit by the difference, or to return the amount of the difference. If the cash is short, the amount of the deposit is reduced accordingly. In this case the depositor should be required to submit a corrected deposit slip.

After the cash is counted, the amount is entered on the cash sheet and the cash amount on the deposit slip checked to indicate that it is correct and the entry recorded. While the cash is being counted, it should be examined for counterfeits and raised bills.

(4) Prove the checks with their listing on the deposit slip, or with the adding machine list accompanying it. While theoretically, the receiving teller should examine the indorsement of all the checks deposited, it is usually only practical for him to examine the indorsement upon the last check in a bundle. Whenever checks in large volume are deposited, they are not examined in detail at the time of receipt, because of the time it would consume. Entry is made in the passbook to correspond with the deposit slip and is subject to revision, if later found to be incorrect. The work of detailed examination of a check is left to the receiving teller's clerks, or to an hour in the day when the receiving teller is not busy at the window. In practice, it is only possible for the receiving teller to verify the actual cash with each deposit, the checks being examined and proved, in case of volume, by means of the Block System (q.v.).

RECIPROCAL TARIFF ACT

An act, approved June 12, 1934, which among other things:

(1) Authorized the President, for a period of three years, to negotiate trade agreements with foreign government without the traditional advice and consent of the Senate.

(2) Empowered the President, by proclamation, to raise or lower tariff rates by not more than 50 per cent.

(3) Provided that the President, before entering into reciprocal tariff trade agreements, must not only determine that trade expansion would be encouraged but that foreign duties or other import restrictions were unduly burdening and restricting American foreign trade.

(4) Stipulated that every foreign trade agreement concluded under the new act should be subject to termination on notice to the foreign government concerned, at the end of not more than three years from the date on which the agreement comes into force, and thereafter upon not more than six months' notice.

(5) Any interested person likely to be affected by any proposed foreign trade agreement must be given an opportunity to be heard before the trade agreement is concluded.

Subsequent to the Reciprocal Tariff Act of 1934, the United States Congress passed a similar 1945 Act, which permitted negotiation of tariff reductions up to a maximum of 50% of 1945 levels. By early 1947, some 28 reciprocal trade agreements had been concluded by the United States with trading nations. More recently, however, further tariff revision and reciprocal reduction have been subject to political changes, although available along two principal lines: (1) multilaterally, through such international organizations as the International Trade Organization (q.v.); and (2) bilaterally, through special agreements with trading nations.

RECOINAGE

The melting of abraded, mutilated, and short weight coins, and manufacturing them into new coins. This

expense is borne by the Government mint. (See Light Coins, Light Gold.)

RECONCILEMENT OF ACCOUNTS

The verification by a bank of its accounts with depositors. Periodic reconcilement of accounts is one of the important tests of clerical efficiency and accuracy in handling bank accounting transactions. The most approved and convenient means of reconciling accounts is to attach a reconcilement blank as a stub or separate form to each statement of account as rendered. These are usually forwarded to customers monthly or periodically, or when they call in person. The reconcilement blank requests the customer to report the correctness of the statement immediately and to note any errors. When the reconcilement blank is returned signed, a mutual verification of accounts has been established. If errors are reported the bank can proceed to trace and investigate them, and if in error, the difference is adjusted.

The following is a typical form of reconcilement blank:

RECONCILEMENT BLANK

Please Return Promptly

.....19.....

TO THE ..... BANK.

Your accounts rendered to the close of business .....showing balance $.....due.....agree with our books, with the exceptions noted below.

Yours truly,

.....

(Authorized Signature.)

Please use signature of Officer or Principal as now authorized to us.

RECONSTRUCTION

This term has two meanings:

(1) A term used in much the same sense as readjustment; meaning that phase of the business cycle in which business is attempting to restore the normal equilibrium between supply and demand. (See Readjustment.)

(2) The English equivalent of the American term Reorganization (q. v.).

RECONSTRUCTION FINANCE CORPORATION

The leading Federal Government domestic financing and credit corporation, originally created by the Reconstruction Finance Corporation Act, approved January 22, 1932. Its original capital was limited to $500,000,000, but was extended by later amendments and other laws adding to the powers and scope of the Corporation. The general purpose of the laws creating this corporation was "to stop deflation in agriculture and industry and thus to increase employment by the restoration of men to their normal jobs."

In the years 1933-34, the financial strength of the Corporation was increased and the scope of its lending activities broadened. Loans were made to banks, railroads, insurance companies, agricultural credit institutions and mortgage banks, industries and public works. Large amounts were also granted to states for work and direct relief without necessity of repayment. In 1948, life of the Corporation's charter was extended for six more years, but lending power was reduced from $2 billion to $1 1/2 billion, the corporation retaining its authority to buy insurance company preferred stock and to maintain a secondary mortgage market. As of March 31, 1948, the corporation reported total assets of $1,387 million, including $911 million in loans, and a net worth, all owned by the U. S. Government, of $1,152 million.

RECONSTRUCTION FINANCE CORPORATION ACT

See Reconstruction Finance Corporation.

RECOURSE

The ability to call upon a person to meet an obligation. The term is most frequently found in the law of negotiable instruments, wherein the indorsement "without recourse" is recognized as a qualified indorsement. The indorser without recourse nevertheless makes the warranties specified in Sec. 65, Uniform Negotiable Instruments Law (Sec. 115, New York Negotiable Instruments Law). (See Indorsement.)

RECOVERY

This term has three meanings:

(1) Whenever a bank collects a note, or a part payment thereon, that has been previously written off as a loss, and charged to reserves or undivided profits, it is known as a recovery. Since the amount of such a recovered note has already been charged off, it is allowable to credit reserves or undivided profits account for the amount recovered.

(2) As used in financial reviews, the term signifies an advance in prices following a previous decline.

(3) In a broad commercial sense, the term is roughly equivalent to business revival or recuperation. It indicates a period of business betterment following a period of liquidation and depression. (See Business Cycle.)

REDEEMABLE

Both bonds and preferred stock are sometimes issued with the redeemable feature; that is, optional retirement before the obligatory maturity. (See Callable Bonds, Optional Bonds, Preferred Stock.)

REDEEMABLE BONDS

See Callable Bonds, Optional Bonds.

REDEMPTION

The act of redeeming a debt; payment of a debt; retirement of an issue of bonds or notes. The cancellation of a debt whether on a date prior to maturity, or upon the date of obligatory maturity.

REDEMPTION AGENT

Among the redemption activities of the Office of the Treasurer of the United States, which is one of the four organizational units in the Fiscal Service of the Treasury Department, are the following functions:

(1) Maintaining the accounts for the issue and redemption of Federal Reserve Notes, Federal Reserve Bank Notes, and National Bank Notes. The latter two types of currency are in process of complete retirement,and funds have been on deposit since 1935 for this purpose.

(2) Directing the shipment of currency and coin be-

tween the United States Mints, Federal Reserve Banks, etc.

(3) Examining and redeeming public debt securities presented for redemption either directly to the Treasurer of the United States, or through the various Federal Reserve Banks.

(4) Acting as special agent for the payment of the principal of and interest on the obligations of Government corporations and agencies, and maintaining the accounts to show such payments.

(5) Examining and redeeming paper currency.

Formerly the term redemption agent was applied to a National bank located in a central reserve or reserve city which was designated to redeem the National bank notes of other National banks not located in such cities. The Act of June 20, 1874 abolished this practice, and National bank notes became redeemable only at the bank of issue or at the Treasury Department in Washington.

REDEMPTION BONDS

Practically the same as Refunding Bonds (q. v.). To be precise, the term redemption bonds should be reserved for issues supplanting those called for redemption, whereas the term refunding bonds should be reserved for those supplanting maturing issues. Redemption bonds are not to be confused with redeemable, i. e., optional bonds.

REDEMPTION CHECK

A special form of check issued by banks, members of a clearing house association, in payment of items which have passed through the clearing house, but which are not acceptable by the drawee bank because of technical irregularities or invalidities, and therefore returned. Redemption checks are payable only to members of the clearing house association, are not negotiable, and are payable only through such clearing house association.

REDEMPTION FUND

Pursuant to Sec. 16 of the Federal Reserve Act, the Board of Governors of the Federal Reserve System require each Federal Reserve Bank to maintain on deposit in the Treasury of the United States a sum in gold certificates sufficient in the judgment of the Secretary of the Treasury for the redemption of the Federal Reserve Notes issued to such bank. In no event is such redemption fund to be less than 5% of the total amount of Federal Reserve Notes issued, less the amount of gold certificates held by the Federal Reserve Agent as collateral security. Such deposit of gold certificates shall be counted and included as part of the gold certificates reserve required to be maintained against outstanding Federal Reserve Notes.

Federal Reserve Bank Notes and National Bank Notes, which are in process of retirement, were also required to maintain similar redemption funds. Balances have been on deposit with the Treasury since March, 1935 for retirement of all outstanding Federal Reserve Bank Notes, and since August, 1935 for retirement of all outstanding National Bank Notes. (See Five Per Cent Redemption Fund, Federal Reserve Bank Notes, Federal Reserve Notes, National Bank Notes.)

The Gold Standard Act of 1900 provided for the redemption in gold coin of United States notes or "legal tenders" when presented to the Treasury. In order to secure prompt and certain redemption of these notes, the Secretary of the Treasury is required to set apart in the Treasury, a reserve fund of $150,000,000 in gold coin and bullion, which may be used for this purpose alone. If, on account of redemption of these notes, the fund falls below $100,000,000 the Secretary of the Treasury is authorized to restore the fund to the original amount by issuing United States bonds therefor. United States Notes are the only type of currency other than Federal Reserve Notes now being issued regularly, the low requiring reissuance whenever they return to the Treasury on any account.

REDEMPTION NOTICE

See Sinking Fund Redemption Notice.

REDEMPTION OF MONEY

In accordance with Sec. 6 of the Gold Reserve Act of 1934, no currency of the United States shall be redeemed in gold, except to the extent permitted in regulations which may be issued by the Secretary of the Treasury with the approval of the President. This general prohibition is also subject to the proviso that gold certificates owned by the Federal Reserve Banks shall be redeemed at such times and in such amounts as in the judgment of the Secretary of the Treasury are necessary to maintain an equal purchasing power of every kind of currency in the United States; and subject to the further proviso that the reserve for United States Notes and for Treasury Notes of 1890, and the security for gold certificates (including the gold certificates held in the Treasury for credits payable in such gold certificates) shall be maintained in gold bullion equal to the dollar amounts required by law, and the reserve for Federal Reserve Notes shall be maintained in gold certificates, or in credits payable in gold certificates maintained with the Treasurer of the United States under Sec. 16 of the Federal Reserve Act. No redemptions in gold shall be made except in gold bullion bearing the stamp of a United States mint or assay office in an amount equivalent at the time of redemption to the currency surrendered for such purpose.

Under authorization of the Act of May 29, 1920, which discontinued the functions of Assistant Treasurers and sub-treasuries, the Secretary of the Treasury transferred to the Federal Reserve Banks and branches the functions performed by the former Assistant Treasurers of the United States in connection with the issue, exchange and replacement of United States paper currency and coin and the receipt for redemption of National bank notes and Federal Reserve Bank notes. Except for the duties in this respect performed by the Treasurer of the United States as may be indicated from time to time by the Secretary of the Treasury, distribution of available supplies of United States paper currency and coin, exchanges and replacements thereof, and payments on account of redemption of currency and coin were, so far as practicable, transferred to the Federal Reserve Banks and branches. Federal Reserve Banks and branches were instructed by the Treasury to make an equitable and impartial distribution of available supplies of United States paper currency and coin in all cases, and applications therefor thereafter were to be made to the Federal Reserve Bank or branch located in the same district with the applicant.

Redemption of money, distribution of available supplies, orders for shipments of money, etc. are centralized and coordinated in the Office of the Treasurer of

the United States in Washington, D. C., which is part of the Fiscal Service of the Treasury.

(See Monetary Stock (Circulation); Money Circulation.)

REDISCOUNT

A term given to the process of discounting a second time, commercial paper (notes, acceptances, and bills of exchange) by one bank for another, or by a Federal Reserve bank for a member bank; also to such rediscounted paper itself. Since the Federal Reserve System has been in operation the term applies almost solely to the discounting of paper by a Federal Reserve bank for a member bank. In substance, however, any note is rediscounted whenever an indorser negotiates it.

Even before the Federal Reserve System, rediscounting was a common practice among banks. Banks which had exhausted their loanable resources or lacked sufficient funds to meet their obligations, resorted to this practice as an expedient to obtain additional funds. Consequently, it was often regarded as an evidence of weakness on the part of the borrowing bank. However, there should be no stigma attached to rediscounting under the Federal Reserve Act, as the rediscount process is one of the normal operating procedures contemplated by the Act.

Rediscounting is one of the chief features and facilities offered by the Federal Reserve System (q. v.). Section 13 of the Federal Reserve Act empowers Federal Reserve banks to discount notes, drafts, and bills of exchange for agricultural, industrial, or commercial uses and known as Eligible Paper (q. v.), as distinguished from paper issued for the purpose of carrying or trading in real estate, stocks or bonds other than Government bonds, or other non-commercial transactions. The tests of eligibility for rediscount are largely left to the Board of Governors of the Federal Reserve System for definition, and are described in detail in the Federal Reserve Board Regulations (q. v.), and in the opinion of its counsel.

In addition to rediscounting Eligible Paper (notes, drafts, bills of exchange, and bankers acceptances arising out of commercial, industrial and agricultural transactions of specified maturities), the Federal Reserve Banks are authorized to make advances to member banks of the following types:

(1) Advances for periods not exceeding 15 days to member banks on their promissory notes secured by the deposit or pledge of Government securities;

(2) Advances for periods not exceeding 90 days to member banks on their promissory notes secured by eligible paper, instead of outright rediscounting;

(3) Advances to any member bank on its time or demand notes having maturity of not less than 4 months and which are secured to the satisfaction of such Federal Reserve Bank. Each such note shall bear interest at a rate not less than 1/2 of 1% higher than the highest rediscount rate in effect at the Federal Reserve Bank on the date of such note;

(4) Advances in such amounts as the board of directors of each Federal Reserve Bank may determine, upon receiving the consent of not less than 5 members of the Board of Governors of the Federal Reserve System, to groups of five or more independently owned member banks within the district, upon their time or demand promissory notes, provided that the banks which receive such advances have no adequate amounts of eligible and acceptable assets available to enable such banks to obtain sufficient credit accommodation from the Federal Reserve Bank through rediscounts or advances other than under (3) above.

The Federal Reserve Banks also possess the following additional powers to discount and make advances:

(1) Under Sec. 13 of the Federal Reserve Act, the power to discount directly for any individual, partnership, or corporation, notes, drafts, and bills of exchange of the kinds and maturities made eligible for discount for member banks, when such paper is indorsed or otherwise secured to the satisfaction of the Federal Reserve Bank. This power, however, is for use in unusual and exigent circumstances, and by affirmative vote of not less than 5 members of the Board of Governors of the Federal Reserve System. Before discounting any such paper, the Federal Reserve Bank shall obtain evidence that such borrower is unable to secure adequate credit accommodations from other banking institutions.

(2) Under Sec. 13b of the Federal Reserve Act, the power to make loans to or purchase obligations of established industrial or commercial businesses located in the district, or make commitments therefore on a reasonable and sound basis, for the purpose of providing working capital. However, this power shall be used in exceptional circumstances, when it appears to the satisfaction of a Federal Reserve Bank that such business is unable to obtain requisite financial assistance on a reasonable basis from the usual sources, and shall be exercised pursuant to authority granted by the Board of Governors. No obligation shall be acquired or commitment made with a maturity exceeding 5 years.

(3) Each Federal Reserve Bank under Sec. 13b of the Act also has the power to discount for or purchase from any bank, trust company, mortgage company, credit corporation or other financing institution operating in its district, obligations having maturities not exceeding 5 years, entered into for the purpose of obtaining working capital for established industrial or commercial businesses; to make loans or advances direct to any such financing institution on the security of such obligations; and to make commitments with regard thereto. However, each such financing institution shall obligate itself to the satisfaction of the Federal Reserve Bank for at least 20% of any loss which might be sustained upon any of the obligations acquired. In lieu of such obligation against loss, the financing institution may advance at least 20% of such working capital for any established industrial or commercial business without obligating itself to the Federal Reserve Bank against loss on the amount advanced by the Federal Reserve Bank, provided that such advances by the financing institution and the Reserve Bank shall be considered as one advance and repayment made pro rata under regulations of the Board of Governors.

(4) Any Federal Reserve Bank under Sec. 13 of the Act has the power to make advances directly to any individual, partnership or corporation on the promissory notes of such individual, partnership or corporation secured by direct obligations of the United States. Such advances shall be subject to limitations, restrictions and regulations of the Board of Governors, and shall be made for periods not exceeding 90 days and bear such interest rates as may be fixed by the Federal Reserve Bank subject to review and determination of the Board of Governors.

These extraordinary methods of extending Federal

Reserve credit reflect the desire of Congress to have the Federal Reserve System play a more positive role in credit operations, particularly in view of the relatively low volume of Eligible Paper in recent decades.

The rediscount process practically insures adequate banking accommodations to all legitimate commercial borrowers; since eligible paper carried by member banks is always subject to rediscount, thus constituting a secondary reserve. Rediscounts in the possession of Federal Reserve banks become the collateral basis for the issue of Federal Reserve notes, which constitute the only elastic currency medium of the country.

Volume of rediscounts outstanding for the system, by annual highs and lows since 1917, is shown herewith:

(000 omitted)

	—High—		—Low—	
1947	$429,176	Apr. 2	$85,425	Dec. 31
1946	710,545	Mar. 13	145,124	May 15
1945	912,124	June 6	29,850	Jan. 3
1944	593,095	Nov. 29	21,995	July 5
1943	107,893	Dec. 8	4,485	Jan. 6
1942	13,351	Sept. 9	3,092	Feb. 11
1941	13,605	Sept. 10	1,041	Apr. 2
1940	7,985	Oct. 9	1,966	Mar. 20
1939	7,394	Feb. 8	2,552	Apr. 5
1938	12,924	Apr. 13	6,043	Dec. 7
1937	24,319	Nov. 3	2,348	Jan. 13
1936	9,618	Feb. 5	2,899	July 15
1935	17,221	Jan. 16	4,672	Dec. 31
1934	106,110	Jan. 3	15,257	Oct. 3
1933	1,413,936	Mar. 8	110,552	Dec. 27
1932	855,168	Feb. 3	267,382	Dec. 28
1931	1,024,133	Dec. 30	132,004	Apr. 15
1930	567,615	Jan. 8	163,149	Sept. 17
1929	1,153,041	July 10	632,421	Dec. 31
1928	1,191,010	July 3	385,224	Jan. 25
1927	609,209	July 3	330,552	Mar. 16
1926	716,630	Sept. 29	393,830	June 16
1925	764,123	Dec. 23	202,757	Jan. 21
1924	797,883	Jan. 2	248,928	Dec. 2
1923	929,839	July 3	512,049	Jan. 10
1922	1,122,567	Jan. 4	379,981	July 26
1921	2,067,349	Jan. 7	1,152,833	Dec. 14
1920	2,826,825	Nov. 5	2,079,755	Jan. 29
1919	2,214,205	Nov. 28	1,601,128	Jan. 31
1918	1,863,784	Dec. 5	501,916	Feb. 15
1917	756,398	Nov. 30	14,707	Feb. 2

The Board of Governors of the Federal Reserve System may by regulation limit to a percentage of the assets of a Federal Reserve Bank the amount of notes, drafts, acceptances or bills having a maturity in excess of 3 months, but not exceeding 6 months, which may be discounted by such bank; and also the amount of notes, drafts, bills, or acceptances having a maturity in excess of 6 months, but not exceeding 9 months, which may be rediscounted by such bank. The aggregate of paper upon which any one borrower is liable and which is rediscounted for any member bank shall at no time exceed the amount for which such single borrower may lawfully become liable to a National bank under the Revised Statutes, or to a State member bank under the same limitations as apply to a National bank.

Another important limitation, in connection with advances to member banks on promissory notes secured by Government securities, is the provision that if any member bank to which any such advance has been made, shall during the life or continuance of such advance, and despite official warning of the Reserve Bank or of the Board of Governors to the contrary, increase its outstanding loans secured by collateral in the form of securities (except Government securities), such advance shall be deemed immediately due and payable, and such member bank shall be ineligible as a borrower at a Reserve Bank for such period as the Board of Governors shall determine. This limitation is designed to prevent the use of Federal Reserve credit for the purpose of stimulating speculation in securities through security loans. (See Limitations on Bank Loans, Rediscount Rate.)

REDISCOUNT RATE

The rate of discount charged by a Federal Reserve Bank for rediscounting commercial, industrial or agricultural Eligible Paper (q.v.) or other paper. Under Sec. 14 (d) of the Federal Reserve Act, every Federal Reserve Bank has the power to establish from time to time, subject to review and determination of the Board of Governors of the Federal Reserve System, rates of discount to be charged by the Federal Reserve Bank for each class of paper, which shall be fixed with a view of accommodating commerce and business, but each Federal Reserve Bank shall establish such rates every 14 days or oftener, if deemed necessary by the Board of Governors.

In addition to rediscount and bill buying rates, the Federal Reserve Banks are empowered to establish interest rates on various types of authorized advances:

(1) Emergency advances to groups of member banks under Sec. 10 (a): Rate shall be not less than 1% above the discount rate in effect at time of making the advances.

(2) Discounts for individuals, partnerships and corporations under Sec. 13: Rates to be established in accordance with Sec. 14 (d) referred to above.

(3) Advances to individuals on direct obligations of the United States (Sec. 13): Rates to be fixed from time to time by the Federal Reserve Bank, subject to review and determination of the Board of Governors.

(4) Advances to individual member banks on satisfactory security, under Sec. 10 (b): Each such advance shall bear interest at rate not less than 1/2 of 1% per annum higher than the highest discount rate in effect at the Federal Reserve Bank on the date of such advance.

(5) Advances to member banks on their promissory notes secured by Government securities, under Sec. 13: At rates established by the Federal Reserve Banks, subject to review and determination of the Board of Governors.

(6) Rediscounts by one Federal Reserve Bank for another (Sec. 11 (b)): At rates of interest fixed by the Board of Governors of the Federal Reserve System.

(7) Industrial loans and commitments under Sec. 13b: All operations of the Federal Reserve Banks under this section are subject to regulations of the Board of Governors. Rates charged vary from district to district, and according to whether the loans are to industrial or commercial businesses direct, or to financing institutions.

The tables on pages 583 and 584 indicates the various Federal Reserve rates for discounts and advances, as well as bill buying rates. The term "rediscount rate", unless otherwise limited, normally refers to the Federal Reserve Bank rate for rediscounting eligible paper.

In the past and perhaps "normal" times, with member banks "in at the Federal" for a steady volume of discounts throughout the year, the rediscount rate had been one of the instruments of money market control at the disposal of the Federal Reserve System. Raising the rediscount rates, making it more costly for member banks to tap Federal Reserve credit, tended to act as a discouraging if not absolute deterrent factor to increased borrowing and speculation, as it was accompanied by higher money rates generally. On the other hand, lowering the rediscount rates, making it cheaper to use Federal Reserve credit, and accompanied with lower money rates generally, made credit "easy" and acted as an encouraging if not positive stimulant to credit expansion. Thus, the rediscount rate as an instrument of control is most effective in times of large member bank borrowing, and in times of little or no such borrowing, its passive nature makes it of little or no significance as a positive factor in credit control. As specified in the Federal Reserve Act, rediscount rates shall be fixed with a view of accommodating commerce and business, but during the era of managed low money rates beginning with the Roosevelt Administration in 1933, rediscount rates were pegged at low levels and the large volume of excess reserves created by large scale gold imports and domestic money management soon made the level of rediscount rates of academic interest to the member banks.

In the early '20s, the rediscount rate was considered dependent upon several factors, among which were the open market rate for commercial paper and bankers' acceptances, the rate on call and time loans secured by stock exchange collateral, and the Federal Reserve ratio of reserves to deposit and note liabilities. As a general principle, a high ratio of reserves to deposit and note liabilities, indicated easy credit conditions, and as the ratio rose, the rediscount rate could be safely lowered. Conversely, a low ratio of reserves to deposit and note liabilities, especially when near the legal minimum, indicated that the resources of the bank were already largely utilized, whence a higher rediscount rate became necessary as a means of discouraging further borrowing. The rates of discount effective at the central banks of Europe, particularly in England, also lent the weight of their influence.

There was also considerable controversy concerning the relation which should exist between the rediscount rates of the Federal Reserve banks and open market rates. The central banks of Europe had long followed the practice of keeping the rediscount rate slightly above open market rates. The theory underlying this principle was that the rediscount privilege at the reserve or central banks should be used only in times of stress or credit expansion; that in normal times the central reservoir of credit should remain untouched, member banks furnishing whatever accommodation is required without resorting to rediscounting. In other words, the rediscount rate should be above open market rates as a means of discouraging rediscounting except when necessary, since the process would always be un profitable to the borrowing banks. If rediscount rates were below the open market, rediscounting became a profitable transaction, and member banks were likely to be stimilated to resort to the privilege, when there was any feasibility for it. In the United States, however, it was somewhat difficult to determine which class of paper should be taken as representative of the true open market rate. The principle was that the rediscount rates should always be somewhat above the open market rates; that it should cost the member banks something to rediscount; that they should not be encouraged to borrow by making the operation profitable, but discouraged from it by making it cost them something; that borrowing should involve a slight penalty rather than a discount, so that member banks would want to pay off their borrowings rather than continue them.

The history of the New York Federal Reserve bank's rediscount rate for eligible paper affords a perspective from which present rates may be interpreted in their relationship to the past. The changes in the rate follow:

4 per cent.—1914, 1915, 1916, and up to December 21, 1917.
4 1/2 per cent.—December 21, 1917, to April 6, 1918.
4 3/4 per cent.—April 6, 1918, to January 23, 1920.
6 per cent.—January 23 to June 1, 1920.
7 per cent.—June 1, 1920, to May 5, 1921.
6 1/2 per cent.—May 5 to June 6, 1921.
6 per cent.—June 6 to July 21, 1921.
5 1/2 per cent.—July 21 to September 22, 1921.
5 per cent.—September 22 to November 3, 1921.
4 1/2 per cent.—November 3, 1921, to June 22, 1922.
4 per cent.—June 22, 1922, to February 23, 1923.
4 1/2 per cent.—February 23 to May 1, 1924.
4 per cent.—May 1 to June 12, 1924.
3 1/2 per cent.—June 12, 1924.
3 per cent.—August 8, 1924.
3 1/2 per cent.—February 27, 1925.
4 per cent.—January 8, 1926.
3 1/2 per cent.—April 23, 1926.
4 per cent.—August 13, 1926.
3 1/2 per cent.—August 4, 1927.
4 per cent.—February 3, 1928.
4 1/2 per cent.—May 18, 1928.
5 per cent.—July 13, 1928.
6 per cent.—August 9, 1929.
5 per cent.—November 1, 1929.
4 1/2 per cent.—November 15, 1929.
4 per cent.—February 7, 1930.
3 1/2 per cent.—March 14, 1930.
3 per cent.—May 2, 1930.
2 1/2 per cent.—June 20, 1930.
2 per cent.—December 24, 1930.
1 1/2 per cent.—May 8, 1931.
2 1/2 per cent.—October 9, 1931.
3 1/2 per cent.—October 16, 1931.
3 per cent.—February 26, 1932.
2 1/2 per cent.—June 24, 1932.
3 1/2 per cent.—March 3, 1933.
3 per cent.—April 7, 1933.
2 1/2 per cent.—May 26, 1933.
2 per cent.—October 20, 1933.
1 1/2 per cent.—February 2, 1934.
1 per cent.—August 27, 1937.
1 per cent.—April 25, 1946.
1 1/4 per cent.—January 12, 1948.
1 1/2 per cent.—August 13, 1948.

REDRAFT

A bill of exchange drawn by a holder of a dishonored bill upon either the drawer or an indorser, for the amount of the original bill plus the protest fees. Also known as a "cross bill". Where foreign exchange is involved, the redraft or cross bill also includes the

Table I.

Federal Reserve Bank Discount Rates

(In effect August 31, 1948)

Federal Reserve Bank	Advances secured by Government obligations and discounts of and advances secured by eligible paper (Secs. 13 and 13a)* Rate	Effective	Other secured advances (Sec. 10(b)) Rate	Effective	Advances to individuals, partnerships, or corporations other than member banks secured by direct U. S. obligations (last par. Sec. 13) Rate	Effective
Boston	1 1/2%	Aug.13,1948	2%	Aug.13,1948	2 1/2%	Jan.14,1948
New York	1 1/2	Aug.13,1948	2	Aug.13,1948	2 1/2	Apr. 6,1946
Philadelphia	1 1/2	Aug.23,1948	2	Aug.23,1948	2 1/2	Aug.23,1948
Cleveland	1 1/2	Aug.13,1948	2	Aug.13,1948	2 1/2	Aug.13,1948
Richmond	1 1/2	Aug.13,1948	2	Aug.13,1948	2 1/2	Mar.16,1946
Atlanta	1 1/2	Aug.13,1948	2	Aug.13,1948	2 1/2	Jan.24,1948
Chicago	1 1/2	Aug.13,1948	2	Aug.13,1948	2 3/4	Aug.13,1948
St. Louis	1 1/2	Aug.19,1948	2	Aug.19,1948	2 1/2	Jan.12,1948
Minneapolis	1 1/2	Aug.13,1948	2	Aug.13,1948	2 3/4	Aug.23,1948
Kansas City	1 1/2	Aug.16,1948	2	Aug.16,1948	2 1/2	Jan.19,1948
Dallas	1 1/2	Aug.13,1948	2	Aug.13,1948	2 1/2	Feb.14,1948
San Francisco	1 1/2	Aug.13,1948	2	Aug.13,1948	2 1/2	Apr.25,1946

*Rates shown also apply to advances secured by obligations of Federal Intermediate Credit Banks maturing within 6 months.

Source--Board of Governors of the Federal Reserve System (Federal Reserve Bulletin).

Note (by Board of Governors of Federal Reserve System, in Federal Reserve Bulletin): Maximum maturities for discounts and advances to member banks are:

15 days for advances secured by obligations of the Federal Farm Mortgage Corp. or the Home Owners' Loan Corp. guaranteed as to principal and interest by the U. S., or by obligations of Federal Intermediate Credit Banks maturing within 6 months;

90 days for other advances and discounts made under Sec. 13 and 13a of the Federal Reserve Act (except that discounts of certain bankers' acceptances and of agricultural paper may have maturities not exceeding 6 months and 9 months, respectively;

4 months for advances under Sec. 10 (b).

The maximum maturity for advances to individuals, partnerships, or corporations made under the last paragraph of Sec. 13 is 90 days.

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amount of "re-exchange" measured by the rate of exchange where the drawer or indorser is located. (See Bill of Exchange.)

REFINED SUGAR

See Sugar.

REFLATION

A term apparently coined in the years 1932-33 meaning the employment of the monetary powers of the government to stop deflation, and to induce the opposite course, i. e., inflation in sufficient measure to counteract the preceding deflation. Reflation implies monetary and/or credit manipulation to restore prices to a preconceived "desirable" level, and not excessive inflation which would ruin the value of money. Reflation advocates are those who favor a Managed Currency (q. v.). Also see Inflation.

REFUNDING

The process of refinancing a debt which cannot conveniently be paid when due. More especially it consists of selling a new issue of bonds from the proceeds of which a maturing issue will be retired. Railroads and other public utility corporations secure a large part of their capital by means of bond issues which are never intended to be permanently retired. Instead, capital is permanently secured by the refunding process, which is legitimate finance where property values are kept intact. (See Refunding Bonds.)

REFUNDING BONDS

Bonds issued for the purpose of providing funds to retire bonds previously issued either to effect a reduction in interest rate, such refunding interest savings being important in a period of low money rates, or to replace bonds about to mature. Strictly refunding bonds should not be authorized to exceed the amount of the original issue (except when mortgages are consolidated), and should be for the same purpose. Frequently, however, new issues entirely unrelated to the issues being retired have the effect of refunding as well as bringing in

Table II.

Federal Reserve Bank Rates on Industrial Loans and Commitments Under Sextion 13b of the Federal Reserve Act

(Maturities not exceeding 5 years)

(In effect August 31, 1948)

	To Industrial or Commercial Businesses		To Financing Institutions		
			On Discounts or Purchases		
Federal Reserve Bank	On Loans(1)	On Commitments	Portion for which Institution is Obligated	Remaining Portion	On Commitments
Boston	2 1/2-5%	1/2-1 1/2%	(2)	(3)	1/2-1 1/2%
New York	2 1/2-5	1/2-1 1/4	(2)	(3)	1/2-1 1/4
Philadelphia	2 1/2-5	1/2-1 1/4	(4)	(3)	1/2-1 1/4
Cleveland	2 1/2-5	1/2-1 1/4	(2)	(3)	1/2-1 1/4
Richmond	2 1/2-5	1/2-1 1/4	(2)	(3)	1/2-1 1/4
Atlanta	2 1/2-5	1/2-1 1/4	(2)	(3)	(5)1/2-1 1/4
Chicago	2 1/2-5	1/4-1 1/4	2 1/2-5	2 1/2-5	1/4-1 1/4
St. Louis	3 -5	1/2-1 1/4	1 1/2-2	(3)	1/4-1 1/4
Minneapolis	2 1/2-5	1/2-1 1/4	(2)	(3)	1/2-1 1/4
Kansas City	2 1/2-5	1/2-1 1/4	(2)	(3)	1/2-1 1/4
Dallas	2 1/2-5	1/2-1 1/4	(2)	(3)	(5)1/2-1 1/4
San Francisco	2 1/2-5	1/2-1 1/4	(2)	(3)	(5)1/2-1 1/4

(1) Including loans made in participation with financing institutions.
(2) Rate charged borrower less commitment rate.
(3) Rate charged borrower.
(4) Rate charged borrower but not to exceed 1 per cent above the discount rate.
(5) Charge of 1/4 per cent is made on undisbursed portion of loan.
Source--Board of Governors of the Federal Reserve System (Federal Reserve Bulletin).

Table III.

Federal Reserve Bank Effective Minimum Buying Rates on Bankers Acceptances (per cent per annum)

Maturity	Rate on August 31, 1948	In Effect Beginning	Previous Rate
1 - 90 days	1 1/2%	(1)Aug.13,1948	1 1/4%
91 - 120 days	1 5/8	(1)Aug.13,1948	1 3/8
121 - 180 days	1 3/4	(1)Aug.13,1948	1 1/2

(1) Date on which rate became effective at the Federal Reserve Bank of New York. The same rates generally apply to any purchases made by the other Federal Reserve Banks.
Source--Board of Governors of the Federal Reserve System (Federal Reserve Bulletin).

additional working capital. To make clear the purpose of a refunding issue, it is advisable that the title be clarified by adding a word descriptive of such purpose; Thus, refunding water bonds, or refunding first mortgage bonds.

In the case of civil refunding bonds, i. e., bonds of states, counties, and other political subdivisions, arbitrary statutory limits are placed on their terms in some states. In fact, some states and their political subdivisions are altogether prohibited from issuing refunding bonds. In no case should civil refunding bonds be allowed when the asset purchased by the proceeds is not permanent. Thus, refunding bonds issued to replace bonds the proceeds of which were used to acquire parks, playgrounds or land for streets are justifiable and permissible, but not for school buildings, fire stations and apparatus, local relief purposes, etc.

REFUNDING FIRST MORTGAGE BOND

A refunding bond (usually issued by a railroad or

public utility corporation) which is secured by a first mortgage and having, therefore, the same security as the issue whose place it takes. Refunding first mortgage bonds are not to be confused with First Refunding Mortgage Bonds (q. v.).

REFUNDING RECEIVER'S CERTIFICATES

Receiver's certificates issued to provide funds to pay off maturing Receiver's Certificates (q. v.).

REGIONAL AGRICULTURAL CREDIT CORPORATION

A Government agricultural credit agency, now of minor importance as the result of liquidation of its loans, in the organization of the Farm Credit Administration. Its active function was formerly the financing of production of crops and livestock in specified areas at the direction of the Secretary of Agriculture, such loans being for not over one year, although renewable, at interest rates of 5% to 5 1/2%. As of March 31, 1948, the corporation had total assets of only $2 million, of which $1 million were in cash, remaining loans being less than half a million. (See Farm Credit Administration.)

REGIONAL BANK

Each of the twelve Federal Reserve banks is known as a regional bank, or regional reserve bank, because each serves a single, clearly defined Federal Reserve district. Before the passage of the Federal Reserve Act, two plans were proposed. One recommended the establishment of one central reserve bank (the Aldrich Plan), such as exists in England and France. The other provided for "regional banks, each to be operated by a different board of directors and owned by member banks within its district." The latter was adopted in order to prevent concentration of control in the East. Although each regional bank is a separate institution and serves a given territory, cooperation of the twelve regional banks is secured through control by the Board of Governors of the Federal Reserve System, which was increased by the Banking Acts of 1933 and 1935. For instance, this body has power to require one Federal Reserve bank to rediscount the discounted paper of another. Thus, the regional banks combine the features of centralization and decentralization. (See Federal Reserve System.)

REGISTER CHECKS

The "Register Check" service is a copyrighted checking service offered to banks as more profitable, simpler to operate, and more popular with customers than money orders or other forms of streamlined popularized checking services. The service features a small flat fee, usually 10¢, for each Register Check, which the customer obtains at the bank and fills out. The Register Check is then presented to the Register Check window, where a teller completes it, hands it back to the customer, and notes it on a credit slip which is kept on file until the check is presented for payment. A minimum of bookkeeping through the credit slips and Register Check account is involved. (See Bank Money Order, No Minimum Balance Checking Accounts.)

REGISTERABLE AS TO PRINCIPAL ONLY

When the principal, and not the coupons of a bond may be registered in the name of the owner, it is said to be "Registerable as to principal only." (See Registered Bonds, Registered Coupon Bonds.)

REGISTERABLE BONDS

See Registered Bonds.

REGISTERED BONDS

Classified as to form, bonds may be registered or coupon bonds. Registered bonds may be subdivided into those which are "registered both as to principal and interest," and "registered as to principal only."

In a registered bond the name of the owner is written on its face and it cannot be negotiated except by indorsement and transfer on the books of the issuing organization. In other words, registered bonds are transferred in the same manner as stock certificates. The bonds contain a form of assignment and transfer on the reverse side. Registration is usually a privilege offered optionally in the sale of certain issues of coupon bonds to appeal to those investors who may wish to avail themselves of the opportunity to protect the equitable owner, in case of theft.

The registration of bonds necessarily entails the maintenance of complete records by the issuing organization. Usually, therefore, a bank or trust company is appointed to act as registrar. The registrar maintains the necessary records which show the owner's name and address, and when sales occur, the name of the transferor and transferee. In this way, the ownership of each bond can be traced.

When bonds are registered as to principal only, coupons are attached, but such coupons are negotiable by delivery just as those detached from coupon bonds. The principal, however, can only be negotiated by indorsement and transfer of title to the buyer on the books of the registrar. These are known as registered coupon bonds.

When bonds are registered both as to principal and interest, no coupons are attached. Checks for interest are remitted to the registered holder at each coupon date and for the principal at maturity.

The market price of registered bonds is usually somewhat less than coupon bonds of the same issue, because of the inconvenience incident to transfer.

REGISTERED COUPON BONDS

Coupon bonds which are registered as to principal only. Coupons attached to such bonds are negotiable by delivery, and are payable to bearer, just as those attached to coupon bonds.

REGISTERED SECURITIES EXCHANGE

Beginning with the effective date of application, October 1, 1934, it has been unlawful to transact business on any securities exchange not registered with or exempted from registration by the Securities and Exchange Commission. See Section 6 of the Securities Exchange Act of 1934. For list of registered exchanges, see under Stock Exchange.

REGISTERED STOCK

Stock which cannot be transferred without placing the signature of the owner upon the books of the issuing corporation and delivery of the certificate. The owner of the certificate may, however, appoint an attorney to act in his stead.

All stock in American corporations is "registered" since the name of the stockholder is recorded on the stock transfer books and dividends are mailed to stockholders of record. In England, "coupon" stock is more

commonly found, the stock certificates having coupons which are detachable for collection of dividends declared. Imperial Oil of Canada stock is issued in both coupon and registered form. In England also, "inscribed" stock is commonly found (see Inscribed Stock).

REGISTRAR

A corporate agent appointed to perform the function of authenticating issues of stocks and bonds, and thus to prevent overissue of spurious bonds or stocks.

See Stock Registrar.

REGISTRATION OF MORTGAGES

Under Sec. 235 (g) of the Banking Law of New York State, every mortgage and assignment of a mortgage taken or held by a savings bank shall immediately be recorded or registered in the office of the proper recording officer of the county in which the real property described in the mortgage is located. The objectives of the Recording Act are to preserve the evidence of real estate conveyances, and to afford protection to purchasers in good faith and without notice from those claiming title to land. A recorded mortgage has priority over a mortgage subsequently recorded. The New York Recording Act requires that the mortgagee be a "purchaser" in good faith, and for a valuable consideration. Thus, a recorded mortgage given to secure an antecedent debt (past consideration) has been held to be not paramount to a prior unrecorded mortgage, because past consideration is not held to be a "valuable consideration" under the Recording Act. (See Torrens System of Land Title Registration.)

REGISTRATION OF STOCK

See Stock Registrar.

REGISTRATION PRIVILEGE

See Registered Bonds.

REGISTRATION STATEMENT

Under Sec. 5 (a) of the Securities Act of 1933 (q. v.), unless a registration statement is in effect as to a non-exempt security, it shall be unlawful for any person, directly or indirectly, to make use of any means or instruments of transportation or communication in interstate commerce or of the mails to sell or offer to buy such security through the use or medium of any prospectus or otherwise; or to carry or cause to be carried through the mails or in interstate commerce, by any means or instruments of transportation, any such security for the purpose of sale or for delivery after sale.

Secs. 6, 7 and 8 of the Act further relate to the registration statement. Sec. 6 prescribed the filing of the registration statement in triplicate, at least one copy of which shall be signed by each issuer and its principal officers and majority of the board of directors. Sec. 7 prescribes that the information specified in Schedule A outlined in the Act shall be contained and required in the registration statement, subject to any further requirements prescribed by regulations of the Securities and Exchange Commission (Regulation C). Sec. 8 prescribes that normally the effective date of a registration statement shall be the 20th day after the filing thereof.

Sec. 11 of the Act then prescribes the civil liabilities arising on account of any false registration statement. In case any part of the registration statement, when such part becomes effective, contains an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading, any person acquiring such security (unless it is proved that at the time of such acquisition he knew of such untruth or omission) may, either at law or in equity, in any court of competent jurisdiction, sue every person who signed the registration statement; every person who was a director of or partner in the issuer at time of filing; every person who with his consent is named in the registration statement as being or about to become a director or partner; every accountant, engineer, or appraiser, or any person whose profession gives authority to a statement made by him who has with his consent been named as having prepared or certified any part of the registration statement; and every underwriter.

An integral part of the registration statement is the Prospectus (q.v.), which contains the same statements made in the registration statement, but need not include detailed documents required for the registration statement.

REGULAR DIVIDEND

A dividend established on a periodic "basis" of so much annually, payable semi-annually, quarterly, or monthly, as the case may be. Seasoned and well-established companies place their stocks on a regular dividend basis in order to enhance the investment appeal of their securities by affording stockholders steady income. The regular dividend should be established at a point well within average earning power, so that it need not be often changed should earning power fluctuate, and may be supplemented by extra dividends or special dividends as earnings warrant. On the other hand, companies whose earnings are subject to wide fluctuation prefer not to establish regular dividend basis, as it would be liable to frequent changes, and instead pay periodic dividends as earnings, working capital needs, and the earnings outlook warrant, leaving them free to change the amount as necessary. Nevertheless, in a long period of good business, such companies may pay a consistent amount regularly, thus giving rise to an "indicated" annual rate which has empirical regularity.

REGULAR LOT

The standard unit of trade on a stock or commodity exchange; the full or Board Lot (q. v.).

REGULAR WAY

The customary method of trading on the New York Stock Exchange. (See Methods of Trading.)

REGULATION

See Public Regulation.

REGULATIONS OF BOARD OF DIRECTORS OF FEDERAL RESERVE SYSTEM

See Federal Reserve Board Regulations.

REHYPOTHECATE

To repledge; to pledge collateral a second time.

Whenever a bank, broker, or other lender advances funds against collateral (in the form of stocks, bonds, or notes) and uses the collateral so pledged to secure in turn a loan from another lender, the process is called rehypothecation. The most typical example of rehypothecation is that which occurs when stock exchange brokers repledge collateral held as security against balances due on margin accounts with a bank as security for a loan. Member banks sometimes pledge securities held against customers' loans as collateral for loans from a Federal Reserve bank. Rehypothecation is legally permissible if the customer's consent thereto is obtained in writing. Loan agreements usually provide for such power on the part of the pledgee (lender). (See Hypothecate, Pledge.)

REHYPOTHECATION

See Rehypothecate.

REICHSBANK

No longer is operation following the defeat of Germany in World War II, the Reichsbank was the central bank of Germany, and the dominant financial institution in the country, operating both as a bankers' bank and bankers for the public through its large system of country-wide branches.

REICHSMARK

Same as mark. The reichsmark was the monetary (gold) unit of the German Republic established by the revaluation of 1924.

REIMBURSEMENT DRAFT

A draft remitted by a foreign bank in payment of items (bills of exchange, checks, postal orders, etc.), forwarded to it for collection. For example, suppose bank "A" in New York sends a draft for one thousand pounds to bank "B" in London for collection, with instructions to remit the proceeds by draft. Bank "B" upon collecting the funds, will forward a draft to bank "A" drawn upon a domestic bank, perhaps bank "A" itself, for one thousand pounds, less collection charges.

REINVESTMENT

Buying additional securities with the interest and dividends on present holdings, or new securities with the proceeds of sale, or funds realized upon maturity of old ones. The term usually refers to the investment of the principal of bonds which have matured, or interest derived therefrom. Since the heaviest bond and interest coupon maturities fall on January and July first, a large demand for reinvestment of capital normally occurs at or about these dates.

REIS

A secondary currency unit of Portuguese India, 192 reis being equivalent to one Rupia. Formerly, the reis was a monetary unit of Brazil and Portugal. (See Foreign Moneys, Table 2.)

RELEASE

In general, the relinquishment or discharge of any right, claim or privilege, either expressly, impliedly, or by operation of law. A mortgage may be discharged by satisfaction, by payment, by tender of payment (which extinguishes the lien and stops the running of interest, although it does not satisfy the mortgage debt), by merger of the mortgagee interest and the legal title to the mortgaged land in one person at the same time, by extinguishment where the owner of the land acquires the mortgage, and by lapse of time. A release or satisfaction of a mortgage is a statutory instrument in New York, and is a conveyance within the meaning of the Recording Act.

REMAINDERMAN

The person who receives the remainder of an estate after the termination of a prior interest set up in the estate by the terms of the creation thereof by the testator or settlor. The remainderman may come into possession of the estate upon the death of the life tenant, or at the end of a certain period designated in a trust. It is the duty of a trustee to harmonize the interests of both the life tenant and the remainderman and to preserve the remainder of the estate for the remainderman. (See Trusts.)

REMARGINING

Placing additional margin against a loan collateralled by securities which have declined in value. In stock exchange loans the amount of the margin must be kept constantly good. Most brokers advise margin customers to keep a comfortable credit balance, in order to avoid the risk of the account's being placed in the restricted category under Regulation T in the event of a sudden market decline. If there is a decline in the market, the borrower is required to furnish additional securities, or to pay a part of the loan. (See Margin.)

REMEDIAL LOANS

See Small-Loan Business.

REMEDY ALLOWANCE

A technical term used by the British mint to indicate the variation from the exact weight and fineness of a coin, as defined by the Coinage Act, allowed from the weight and fineness when actually produced. In gold coins, the remedy for fineness is two parts in one-thousand and for silver coins, four parts in one-thousand. The remedy allowed in weight per English sovereign is 0.20 of a grain.

In the United States the legal variation allowed in coinage is known as the "Remedy of the Mint." (See Tolerance.)

REMITTANCE

This term has two applications:

(1) In general the term applies to any form of payment in cash, or its equivalent, in satisfaction of a debt, which is forwarded from one point to another.

(2) In banking practice the term is frequently used to indicate the forwarding for credit of deposits (checks, cash, money orders, matured coupons, etc.) by customers through the mails, although more properly restricted to a check from a bank in payment of the proceeds of checks previously sent to it for collection.

REMITTANCE ACCOUNT

Among transit and collection departments this term is used to indicate a collecting agent or correspondent with whom arrangements have been made to remit by check in payment of the proceeds of checks previously sent to it for collection. Such collection agents are to be distinguished from those with whom arrangements

have been made to offset items sent for collection by charges to their accounts on the books of the forwarding bank.

REMITTANCE LETTER

See Return Remittance.

REMONETIZATION

The endowment of a metal with the power of acting as a monetary standard, i. e., permitting its coinage without limit as to quantity and giving the coin manufactured from it full legal tender powers, after such coin has once been deprived of this power by reason of being degraded to the rank of token money. (See Demonetization.)

RENEWAL

When a bank extends a loan by permitting a borrower to substitute a new note for a maturing note, the new note is called a renewal, and in the legal sense, constitutes a novation if the old note is surrendered. The renewal of a loan should always entail the cancellation of the maturing note and the making of a new one, and bookkeeping records should show such cancellation and renewal. In many classes of loans, renewals are regularly expected. Real estate mortgage loans, both on farm and urban property, and live stock loans are usually subject to renewal. The buyer of commercial paper sold in the open market by note brokers is under no obligation to renew. (See Frozen Credits.)

RENEWAL BONDS

Bonds issued to extend a maturing issue; another title for what are virtually extended bonds and are practically equivalent to refunding bonds. (See Extended Bonds, Refunding Bonds.)

RENEWAL RATE

The rate which standing call loans in the New York call money market carry for the day. The rate is fixed each day at the "Money Desk" on the floor of the New York Stock Exchange. The rate fixed on Friday stands over Saturday and Sunday; that fixed on a day previous to a holiday holds good for the holiday. (See Call Money Market.)

RENTES

This term has two applications:

(1) A name given to the annual interest payable upon the bonded debt of the Governments of France, Italy, Greece, and several other European countries.

(2) By extension of the above meaning the term also applies to the Government securities themselves; for example, French Rentes. These occupy the same position in France as Government bonds in the United States, or consols in England.

The majority of French Government bonds are known as Rentes, many of which are perpetual issues, but with optional redemption provisions.

REORGANIZATION

The financial readjustment of a corporation under procedures prescribed by Federal or State statutes, as compared with voluntary Readjustment (q.v.), The National Bankruptcy Act (q.v.) now provides for reorganization procedures under court supervision, including Chapter VIII (the former Sec. 77) for railroads, and Chapter X (the former Sec. 77-B) for other corporations. These statutory reorganization procedures were enacted to meet the shortcomings of equity procedure for reorganization, particularly the necessity for paying off in full the claims of dissenting security holders. Under the present statutory reorganization procedures, the required ratio of consents upon approval and confirmation of the reorganization plan by the court binds the dissenting minorities.

W. H. Lough defines reorganization as "A rearrangement of the company's liabilities so as to make them conform more closely to the assets and earnings . . . . a new financial plan which replaces the old plan that has proved faulty" (Business Finance). A United States Court has defined reorganization as "an effort of the security holders independent of the closing out of the old corporation, to replace the company upon a firm and stable financial footing."

The principal causes leading to the necessity for reorganization among industrial corporations are (1) over-capitalization (especially errors in capitalization which involve excessive fixed charges), and (2) overproduction combined with disastrous competition. Among railroads, the chief causes of reorganization have been over-capitalization through issuance of excessive bond issues, and prolonged business depression which cause leverage in capitalization to operate adversely on net earnings. The special causes necessitating railroad reorganization are: (1) the accumulation of large or pressing floating debt; (1) low working capital, and (3) unexpectedly low earnings. No class of business organizations has resorted to reorganization more persistently than railroads. More than 40 per cent. of the railway mileage of the United States underwent reorganization during the depression following the panic of 1893, and approximately one-third of total railroad mileage went into receivership or trusteeship during the period 1930-1939.

The most usual specific objects to be accomplished in a reorganization are: (1) to raise additional capital; (2) to reduce fixed charges; (3) to pay off floating debt; (4) to eliminate unprofitable departments of the business; (5) to scale down the capital issues or substitute contingent obligations for fixed ones; and (6) to balance the corporate budget. In order to reorganize a corporation, funds are needed to pay off pressing obligations and to purchase needed equipment and supplies. This money is usually obtained through the sale of Receivers' Certificates (q.v.), which take priority over all other obligations.

The chief rules to be observed in a reorganization plan are: (1) the maximum charges under the reorganication should approximate minimum net earnings under the old regime; (2) the junior security holders should suffer the heaviest losses; (3) the nominal value of outstanding securities need not be reduced, provided contingent obligations are substituted for fixed ones, and (4) bondholders whose claims are not settled in full should be given an opportunity to participate in future increased earnings of the property by giving them shares of stock for a portion of the old bonds which are cancelled. (See Receivership.)

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REORGANIZATION BONDS

Bonds issued in connection with a reorganization, usually issued in exchange for bonds authorized and outstanding under the old capitalization, and customarily in railroad reorganizations in "packages" of so much per new bonds, plus stock or cash, in exchange for the old securities. The bond title, Adjustment Bonds (q. v.), indicates that such bonds are issued in connection with reorganization, but many new bonds issued in reorganizations of recent years do not carry the term "Adjustment" as part of their title.

REORGANIZATION COMMITTEE

Under equity receivership practice, the investors in the debtor's securities, acting through their reorganization committees, developed and presented reorganization plan for approval of the Court. Under Chapter VIII (the former Sec. 77) of the National Bankruptcy Act, reorganization plans are proposed for debtor railroads by interested parties by filing such with the Interstate Commerce Commission, which after holding public hearings thereon, approves or disapproves such plans. The law provides that no plan shall be approved or confirmed by a Court unless first approved by the Interstate Commerce Commission.

Under Chapter X (the former Sec. 77B) of the National Bankruptcy Act, the Court sets a time by which the trustee is to prepare and file either a plan of reorganization or a report advising against reorganization and explaining the reasons for liquidation instead of reorganization.

The National Bankruptcy Act closely regulates the work of protective committees, representing various security owning interests: (1) Any committee representing more than 12 creditors or stockholders must file with the Court copies of the deposit agreement and other papers relating to functions and authority; (2) no committee is allowed to appear or intervene in a Chapter X proceeding unless it has complied with all existing laws governing activities and personnel; (3) in regard to solicitations of acceptances to a Chapter X plan of reorganization, no committee is allowed, except by Court permission, to solicit acceptances in advance of Court approval of the plan; and (4) under Chapter VIII, relating to railroad reorganizations, no committee or persons, except mutual institutions acting in their own interests, groups of not more than 25 persons, and persons acting in their own behalf, may solicit deposit of securities or proxies authorizing the committee or persons to act, except as approved by the Interstate Commerce Commission.

(See National Bankruptcy Act, Reorganization.)

REPARATIONS

The amount of damages assessed at the Treaty of Versailles in 1919 by the victorious Allies against Germany and other defeated nations of the World War. (See War Debts.)

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REPLEDGE

To rehypothecate; to pledge collateral a second time. When a lender who holds collateral as security for a loan, becomes a borrower, and deposits the same collateral with the consent of his borrower as security for his own loan, the collateral is repledged. To deposit securities pledged as collateral against customers' loans, as by a bank or broker, from another institution, as collateral for a loan. (See Rehypothecate.)

REPRESENTATIVE MONEY

Paper money issued against, and secured by, monetary metal deposited in a National Treasury, or other public depository, in amounts sufficient to redeem such money in full. Thus, silver certificates are examples of representative money, since they are payable on demand, and sufficient silver is deposited to redeem them in full. Federal Reserve Notes, the principal form of paper money outstanding in the United States, although fully secured by gold certificates and other collateral and payable in lawful money, are not representative money because not supported by a 100 per cent. metallic reserve. (See Money, United States Money.)

REPUDIATING STATES

See Repudiation.

REPUDIATION

Wilful refusal to pay a debt. The dishonor or rejection of an obligation or contract, as distinguished from an unavoidable failure or Default (q.v.). Repudiation may be complete or partial. The term is usually applied to the refusal of a government or civil subdivision thereof to pay a bonded obligation. Whenever a sovereign power, e. g., a national government or state, repudiates its debts, the citizens who have bought its bonds have no recourse, since an individual has no power to sue a sovereign power without its consent. A municipality, however, may be sued.

Although a national government may repudiate its obligations, very few instances of such repudiation are on record. The United States has never repudiated any of its bonds. Several of the states and certain counties have been guilty of repudiation, illegality of the issue being the chief excuse. According to Lawrence Chamberlain, there were two periods of repudiation in the United States; the first was from 1837 to 1844, due to the depressed conditions which followed the panic of 1837, and the second from 1870 and 1884 which is characterized as a "period of bad faith."

REPURCHASE AGREEMENT

This term has two applications:

(1) Bonds are sometimes sold by one bank or investment house to another with the privilege of repurchase. This transaction is tantamount to securing a loan equal to 100 per cent. of the collateral offered. For instance, should an investment house desire to borrow funds with bonds as collateral, it may, instead of applying for a loan, arrange to temporarily sell them to a bank with an agreement to repurchase them at the same price at some specified future date—when the need for the funds has passed. When such an agreement is concluded, the

bank purchases the bonds outright at a flat price, or flat price plus accrued interest, with an agreement to sell them back to the borrowing institution at the same price upon the expiration of a certain period plus interest at a stipulated rate. The price agreed upon for purchase and resale is usually the prevailing market price, or a few points below.

Regulations of the Comptroller of the Currency authorize member banks to enter into repurchase or resale agreements only when the member bank concerned has the sole right or option under the agreement.

The following is a typical form of Bond Repurchase Agreement:

AGREEMENT MADE THIS
..... DAY OF .....19 .....
Between
.....Bank
and
.....

WHEREAS, in consideration of the agreement to purchase hereinafter expressed .....Bank has this day agreed to purchase from .....
$000,000 par value, Treasury 2's,
due Sept. 15, 1951-53
at a price of .....flat.

The .....Bank hereby agrees to resell said lot of bonds to the .....on or before 60 days from the purchase date at the same price .....flat, plus interest on the purchase price at the rate of .....per cent. per annum and the said .....hereby agrees to repurchase said lot of bonds from the .....Bank on or before 60 days from the selling date, at the said price .....flat plus interest on the sale price at the rate of ..... per cent. per annum.

THE .....BANK
By .....
Cashier.

(2) Member banks may borrow from a Federal Reserve bank through the instrumentality of a repurchase agreement, which, to all intents and purposes, is a collateral advance. Eligible collateral is of four classes: Treasury Bonds, certificates of indebtedness, bankers' acceptances, and eligible commercial paper.

The form of repurchase agreement used by Federal Reserve banks is as follows:

New York, ...19....
TO FEDERAL RESERVE BANK,
NEW YORK, N. Y.

The .....Bank hereby offers for rediscount for ..... days from date the bills and/or notes which are listed in this application and agrees on .....19..... to pay you the face value of the same which are thereupon to be released to us. If such payment is not made on said date, you are hereby authorized to charge to our account the face value of said bills and/or notes and to hold them for collection for our account, subject to our order.

.....Bank
.....
Cashier

RESERVATION

In practice before passage of the Securities Act of 1933, in printing descriptive circulars it was customary for the issuing investment house or syndicate to append a statement purportedly to preclude any liability which might accrue because of misstatements or inaccuracies which might be contained. Typical examples of such reservations were.

"The information contained in this circular is not guaranteed, but is believed to be correct." "The statements and figures presented herein are not guaranteed, but are taken from sources which we believe to be accurate." "All information given herein is from official sources or from sources which we regard as reliable, but in no event are the statements herein contained to be regarded as representations of the undersigned." "The statements contained herein are based upon information which we consider entirely trustworthy. While we do not guarantee the information, we believe it to be correct."

Although the legal efficacy of such "disclaimer" clauses is subject to actual litigation and the facts of each case, such hedge clauses have continued to be generally used. In view of the principle of disclosure of interest of the Securities Act of 1933, it is now customary to add an indication of the interest that the firm issuing such descriptive circulars has in the security described. An example of the modern hedge clause follows:

"The data contained herein have been obtained from reports of the company to its stockholders and from various statistical services and other sources which we believe reliable, but without further verification or investigation by us. This information is not intended to and should not be relied upon as comprising a complete report or analysis. Neither the facts herein presented nor the opinions herein expressed constitute representations by us. We deal, as principals or agents, in the security described herein."

RESERVE

This term has four applications:

(1) In accounting, a reserve as distinguished from Reserve Fund (q. v.), is an account appearing among the liabilities to indicate a reservation of profits. Usually a reserve account is specially earmarked to designate its purpose but represents neither cash nor other assets in particular. It is a part of the proprietorship set aside out of earnings to prevent its distribution as dividends.

There are three general classes of reserves, each of which is fundamentally different from the others. In the first group may be placed all reserves that represent shrinkages in asset values. These are really suspended credits to asset accounts and are sometimes referred to as "valuation reserves." Examples are: reserve for depreciation, reserve for bad debts, reserve for depletion, reserve for probable losses, and reserve for depreciation in market value of securities. The advantage in setting up a reserve for depreciation on fixed assets such as buildings, machinery, furniture, and fixtures, and automobiles over crediting the estimated depreciation to the asset accounts at the end of each year is that the balances of the asset accounts will at all times represent the accumulated costs of such items of asset value as are still on hand and the balances of the reserve for depreciation accounts will represent accumulated depreciation on the same assets. This information is necessary if annual depreciation is to be computed as a percentage of the cost of the asset based on its useful life. If a business is operated on a

conservative basis a reserve for bad debts is usually advisable, for after all accounts known to be worthless are charged off, experience has shown that a part of the remaining receivables which are uncollected at the end of the year will subsequently be lost. These accounts cannot be charged off at the end of the year for their identity will not be known. However, the same net result as far as statements of operation and balance sheets are concerned can be secured by setting up a reserve for bad debts, the amount of which should be based on past experience. Reserves for depletion are used by mining and quarrying enterprises to measure the decrease in value of ore deposits as a result of operation. If securities held as an investment and carried at cost depreciate in value profit and loss or undivided profits are sometimes charged and an account called "reserve for depreciation in market value of securities" is credited for the amount of shrinkage. This procedure is preferable to writing the asset account down to market value for the reason that there is usually no allowable deduction from taxable income until a loss has been incurred as the result of a sale or until the securities have become worthless. Since all of these reserves represent shrinkages in the value of particular asset accounts they should be shown in the balance sheet as deductions from the cost of various assets. Such reserves indicate conservative business policies.

The second group of reserves represents liabilities, usually of a current nature, the exact amounts of which are not known. Examples are: reserve for taxes and reserve for interest. These reserves are nothing more or less than estimated liabilities and should be shown in the balance sheet under the caption of liabilities. If the exact amounts were known such items would be shown in the books and statements as taxes accrued and interest accrued or taxes payable and interest payable depending upon whether or not they have become due.

In the third class are found such items as reserve for new building, reserve for extension of plant, reserve for accidents, reserve for contingencies, etc., all of which represent appropriated surplus and should be so shown in the balance sheet. These accounts are usually set up as a result of resolutions of boards of directors and are credited periodically with a portion of profits.

The only object of such accounts is to limit the distribution of profits as dividends. These accounts register the intent of the directors to hold back or reserve certain amounts out of profits and the directors can at any time have the balances of the accounts transferred back to the surplus or undivided profits account.

(2) In life insurance, the reserve is an accumulating fund from such portions of premiums as are not currently used to pay death claims and expenses, but held for the credit of policy-holders in future years. In fire and marine, and casualty insurance, unearned premiums, representing premiums paid in advance but not yet earned, are required by law to be set up in unearned premiums reserves.

(3) In banking, the term is used in several applications, but each has a technical meaning quite different from the term used in accounting and insurance. A bank reserve is an asset in the form of a cash balance maintained in a bank's own vault or deposited with a compulsory or optional depository or depositories representing a certain proportion of the bank's deposits. In the United States, the amount of reserve against demand and time deposits, the method of its computation, the place of deposit, and composition (for Federal Reserve banks), are prescribed by law. In England and most of the European countries, however, the amount of reserve against deposits is not regulated, but is left to the discretion of the individual banks.

Deposit reserve requirements did not exist in the United States until after the panic of 1857; but thereafter, due to the insistence of public demand for prescribed reserves, many of the states modified their banking laws by fixing legal reserve requirements. The principle of legal minimum reserves against deposits, which was one of the leading features of the National Bank Act of 1863, became firmly established at that time.

The purpose of required reserves is to maintain the confidence of the depositors in the ability of the banks to pay in cash. It is also a deterrent to unhealthy expansion of loans, since deposit credits cannot be extended to an amount exceeding the legal ratio of reserves to deposits. It is therefore a safeguard against unsound inflation of credits. A bank reserve cannot be regarded as an emergency fund to be used in times of credit stress, because it must be continually kept good, and cannot be drawn upon. The one exception to this rule is in the case of the Federal Reserve banks, which with permission of the Board of Governors of the Federal Reserve System, and under certain penalties, may temporarily suspend their reserve requirements. With the privilege of rediscount under the Federal Reserve System, however, the reserves of member banks are far from being rigid. The reserve requirements of members of the Federal Reserve System are determined by the class of city in which they are located, in the following range authorized by Sec. 19(c) of the Federal Reserve Act:

	Against demand deposits	Against time deposits
Central reserve cities	13% to 26%	3% to 6%
Reserve cities	10% to 20%	3% to 6%
Other cities	7% to 14%	3% to 6%

State banks and trust companies which are not members of the Federal Reserve System keep their reserves in their own vaults or in designated depositories, i. e., other approved banks usually in larger cities. But members of the Federal Reserve System are required to keep their entire legal reserves with the Federal Reserve bank of their district, and cash which is maintained in their own vaults or in other banks cannot be counted as reserve. The first is technically known as "legal reserve," the second as "till money." The reserve requirements for state banks and trust companies vary among the separate states from 10 per cent. to 25 per cent., with a strong predominance toward 15 per cent. Banks in the larger cities, however, are usually required to keep larger reserves than those in the smaller localities.

The form prepared by the Board of Governors of the Federal Reserve System for the computation of the required reserve which is to be carried by member banks with Federal Reserve banks, is given below.

A. GROSS DEMAND DEPOSITS (1)
(including demand balances of
other banks): $ ...
1. Deposits of individuals,
partnerships and corporations $ ...

2. U. S. Government deposits(2) ...
3. State, county, and municipal deposits ...
4. Deposits of other banks in the U. S. (except private banks and American branches of foreign banks) ...
5. Deposits of private banks and American branches of foreign banks ...
6. Deposits of banks in foreign countries (including balances of foreign branches of other American banks, but excluding amounts due to own foreign branches) ...
7. Certified and officers' checks, letters of credit and travelers' checks sold for cash, and amounts due to Federal Reserve Bank (transit account) ...

B. DEDUCTIONS ALLOWED IN COMPUTING RESERVES: $ ...

1. Balances subject to immediate withdrawal due from other banks, including cash items forwarded to a correspondent bank for collection and credit, and charged to item "Due from Banks" (except balances due from Federal Reserve Banks, from foreign banks or branches thereof, from foreign branches of domestic banks, or from private banks) $ ...
2. Cash items in process of collection, except to the extent included in item B-1 (including checks with Federal Reserve Banks in process of collection and checks on hand which will be presented for payment or forwarded for collection on the following business day) ...

C. NET DEMAND DEPOSITS (item A minus item B): $ ...

D. TIME DEPOSITS: $ ...

1. Deposits (except savings deposits), of individuals, partnerships, and corporations:
   (a) Certificates of deposit (other than for money borrowed) $ ...
   (b) Open accounts ...
   (c) Christmas savings and similar accounts ...
2. Deposits evidenced by savings pass books ...
3. Postal savings deposits ...
4. State, county, and municipal deposits ...
5. Deposits of other banks in the U. S. (except private banks and American branches of foreign banks) ...
6. Deposits of private banks and American branches of foreign banks ...
7. Deposits of banks in foreign countries (including balances of foreign branches of other American banks, but excluding amounts due to own foreign branches) ...

E. RESERVE REQUIRED:

1. On net demand deposits (item C above), 26%, 20%, or 14% for central reserve city, reserve city, and "country" member banks $ ...
2. On time deposits (item D above), 6% for all member banks ...
3. Total reserve to be maintained with Federal Reserve Bank (item E-1 plus item E-2) $ ...

Notes: (1) Regulation D of the Board of Governors of the Federal Reserve System defines Gross Demand Deposits.

(2) Under Act of April 13, 1943, U. S. Government deposits in "war loan" accounts were exempted from reserve requirements until 6 months after cessation of hostilities.

Federal Reserve banks are required to keep a reserve of 35 per cent. against their deposits. While the composition of reserves for member banks with Federal Reserve banks is not specifically designated, Federal Reserve banks may count as reserve only those forms of money coming under the head of Lawful Money (q.v.). This includes specie, Treasury currency and gold certificates.

In banking also are found the terms "primary" and "secondary" reserves. Primary reserves are the legal reserves required to be maintained against deposits, as well as other cash. "Secondary" reserves are earning assets in such highly liquid investments and at full value, such as short-term Government securities, call loans, bankers' acceptances, etc. "Excess" reserves (q.v.) in banking are the excess of actual over required legal reserves maintained against deposits with the Federal Reserve Banks or other legal depositories.

(4) In monetary science, the term reserve is also applied to the gold or other metal, or to bonds or other documentary evidences of debt, which are used as collateral to support paper money. Thus, Federal Reserve notes are required to be secured by a reserve in gold certificates equal to 40 per cent. of the amount outstanding plus rediscounted commercial paper in an amount sufficient to bring the total security up to 100 per cent. United States Notes (q.v.) are secured by a partial gold reserve. In fact, all forms of paper money in the United States are supported by collateral in some form, which may be regarded as reserve. (See Paper Money.)

See also Bank Reserve, Gold Reserve, Naked Reserve, Reserve Ratio.

Bibliography

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RESERVE AGENT

Another term for Reserve Depository (q.v.). A National bank located in a central reserve city or reserve city, which, with the approval of the Comptroller of the Currency, or a state bank or trust company designated by a State Banking Department, may act as a depository in which state banks and trust companies may keep a certain portion of their legal reserve against deposits.

Prior to the establishment of the Federal Reserve System, National banks located in reserve cities were permitted to keep one-half of their legal reserve with reserve agents in central reserve cities and banks located in other cities were permitted to keep three-fifths of their legal reserve with reserve agents located in either central reserve cities or reserve cities.

(See Federal Reserve Agent.)

RESERVE BANK

Usually this term means a Federal Reserve bank. According to the Federal Reserve Act "the term 'reserve bank' shall be held to mean Federal Reserve bank." Prior to the Federal Reserve System, National banks located in central reserve and reserve cities were called reserve banks. (See Federal Reserve Bank, Federal Reserve System.)

RESERVE CITIES

The Federal Reserve Act confers upon the Board of Governors of the Federal Reserve System the power to classify or reclassify reserve and central reserve cities, or to terminate their designation as such, for the purpose of reserve requirements.

Effective March 1, 1948, the Board of Governors, acting pursuant to Sec. 11 (e) and other provisions of the Federal Reserve Act, established the following classification of central reserve and reserve cities:

(a) Central reserve cities: the cities of New York and Chicago.

(b) Reserve cities: (1) the city of Washington, D. C., and every city except New York and Chicago in which there is located a Federal Reserve Bank or branch of a Federal Reserve Bank;

(2) The following are also classified as reserve cities:

(A) Every city in which on the dates of official call reports of condition in the two years ending June 30, 1947, member banks exclusive of their office in other cities, held an aggregate amount of demand deposits owing to banks equal on the average to 1/3rd of 1% or more of the aggregate amount of demand deposits owing to banks by all member banks of the Federal Reserve System; and

(B) Every city in which on the dates of official call reports of condition in the two years ended June 30, 1947, member banks exclusive of their offices in other cities, held an aggregate amount of demand deposits owing to banks equal, on the average, to 1/4th of 1% or more of the aggregate amount of demand deposits owing to banks by all member banks of the Federal Reserve System, and also equal on the average to 33 1/3% or more of the aggregate amount of all demand deposits held by the member banks in such city.

On the basis of (A) and (B) above, the following cities, in addition to those classified as such under paragraph (b) above, are classified and continued as reserve cities:

Columbus, Ohio; Des Moines, Iowa; Milwaukee, Wisconsin; St. Paul, Minnesota; Lincoln, Nebraska; Tulsa, Oklahoma; Wichita, Kansas; Fort Worth, Texas; Cedar Rapids, Iowa; Sioux City, Iowa.

The following city is also added and classified as a reserve city: National City (National Stockyards), Illinois.

The designation of the following cities as reserve cities is terminated (unless continued in accordance with above provisions):

Toledo, Ohio	St. Joseph, Missouri
Dubuque, Iowa	Topeka, Jansas
Grand Rapids, Michigan	Galveston, Texas
Peoria, Illinois	Waco, Texas
Kansas City, Kansas	Ogden, Utah
Pueblo, Colorado	Spokane, Washington

The Board of Governors of the Federal Reserve System prior to March 1, 1948 also designated and continued as a reserve city any city then classified as a reserve city, although not within the scope of the above provisions, if a written request for the continuance of such city as a reserve city was received by the Federal Reserve Bank of the district in which the city is located on or before February 16, 1948 from every member bank which has its head office or a branch in such city, exclusive of any member bank in an outlying district of such city permitted by the Board of Governors to maintain reduced reserves, together with a certified copy of a resolution of the board of directors of such member bank duly authorizing such request.

Indicating the now flexible provisions for designation of reserve cities, effective as of March 1st of each third year after March 1, 1948, the Board of Governors: (a) will continue as reserve cities or designate as additional reserve cities all cities then falling within the scope of the above provisions and all cities when then meet the standard prescribed, based upon official call reports of condition in the 2-year period ended on June 30th of the year preceding such third year; and (b) will terminate the designation as reserve cities of all other cities, except that the Board of Governors will continue the designation as a reserve city any city when then has the designation of a reserve city and does not then fall within the scope of the above provisions, if a request for the continuance of such designation is made by every member bank in such city, and together with a certified copy of resolution of the bank's board of directors authorizing such request, is received by the Federal Reserve Bank of the district not later than the 15th day of February of such third year.

(See Central Reserve Cities, Reserve, Reserve Ratio.)

RESERVE DEPOSITORY

A bank designated and authorized to act as depository for a portion of the legal reserves against deposits which other banks are required by law to maintain.

Every member bank of the Federal Reserve System is required to establish and maintain reserve balances against demand and time deposits as required by the Federal Reserve Act, with the Federal Reserve Bank of its district.

Legal reserves against deposits of State banks are required by State laws to be kept in part on hand and part with designated reserve depositories. The New York State Banking Law defines "reserve depository" as a banking corporation designated by the Superintendent of

Banks as a depository for reserves on deposits. Sec. 106 of the Banking Law specifically provides that no bank or trust company shall deposit any of its funds with any other banking corporation or private banker unless such corporation or banker has been designated as a depository for the funds of the bank or trust company by a vote of the majority of the directors of the bank or trust company, exclusive of any director who is an officer, director, trustee or partner of the depository designated. In any case where a banking corporation or private banker is so designated, a bank or trust company shall not deposit therewith an amount in excess of 25% of the capital stock, surplus fund and undivided profits of such bank or trust company unless such other banking corporation or private banker is located within the State of New York, and has been approved by the Superintendent as a depository for the purpose of this section, in which case the amount so deposited may equal but shall not exceed 100% of the capital stock, surplus fund and undivided profits of such bank or trust company. These restrictions do not apply to deposits which any New York State bank or trust company shall maintain with a Federal Reserve Bank. (See Reserve.)

RESERVE FUND

An accounting term sometimes but incorrectly used as synonymous with the accounting term Reserve (q.v.), but which is an asset in the form of cash, securities, or other specific assets, which has been set aside for some particular purpose, and which has no accounting relation per se to the liability account, "Reserve". However, some accountants establish both the asset "Reserve Fund" for a particular purpose, and at the same time earmark Surplus by creating a "Reserve" for the same purpose. Once the "Reserve Fund" has been applied to the purpose intended, however, the "Reserve" on the liability side for the same purpose serves no useful function and should be closed out to general Reserves or Surplus.

Also an English accounting term equivalent to the term Earned Surplus (q.v.) in America. This account is created by retaining a portion of the earnings in the business, instead of disbursing them as dividends.

RESERVE RATIO

A short term for the full title "Federal Reserve ratio of reserves to deposit and Federal Reserve note liabilities." This ratio appears weekly in the published statement of each Federal Reserve bank and of the Federal Reserve System as a whole. This ratio was formerly regarded as an important barometer of credit conditions and money supply, but the Board of Governors of the Federal Reserve System points out that in general, Federal Reserve credit policy is determined on the basis of the broad needs of the credit and business situation and not on the basis of variations in the reserve ratio. The varying conditions in the different Federal Reserve districts are shown by variations in the ratio of the separate reserve banks, while the ratio for the Federal Reserve System shows the condition for the entire country.

Every week the Board of Governors of the Federal Reserve System announces through the press a statement of condition of all twelve Federal Reserve banks, showing their principal assets and liabilities, and also showing what is known as the reserve ratio or reserve percentage. The reserve percentage, or reserve ratio, is the ratio of total reserves to deposit and Federal Note liabilities combined. The legal reserves required for each Federal Reserve Bank are 35% in gold certificates or lawful money against deposits, and 40% in gold certificates against Federal Reserve Notes in actual circulation, provided that when the Federal Reserve Agent holds gold certificates as collateral for Federal Reserve Notes issued to the particular Federal Reserve Bank, such gold certificates shall be counted as part of the reserve which such bank is required to maintain against its Federal Reserve Notes in actual circulation.

The following is a tabulation of the annual highs and lows of the reserve ratio of the Federal Reserve System (twelve Federal Reserve banks combined) since 1920:

	High		Low	
1947	48.9%	Oct. 23	42.6%	Jan. 3
1946	44.5	Apr. 12	41.9	Jan. 2
1945	49.8	Jan. 18	41.3	Dec. 22
1944	64.2	Feb. 10	48.3	Dec. 23
1943	79.0	Feb. 3	61.8	Dec. 24
1942	91.1	Mar. 30	76.3	Dec. 31
1941	91.2	Mar. 26	88.9	July 3
1940	90.9	Dec. 11	86.9	Jan. 2
1939	86.9	Aug. 30	83.7	Jan. 4
1938	83.8	Dec. 29	80.0	Jan. 25
1937	80.5	Mar. 17	79.5	July 14
1936	79.5	Sept. 9	77.8	Jan. 8
1935	77.8	Dec. 11	70.8	Jan. 2
1934	70.8	Dec. 5	63.5	Jan. 17
1933	68.8	June 28	45.6	Mar. 8
1932	70.9	Mar. 30	56.2	July 20
1931	85.4	Mar. 25	59.9	Oct. 28
1930	83.7	June 25	72.9	Jan. 8
1929	75.9	May 22	61.9	Jan. 2
1928	75.1	Mar. 21	61.6	Dec. 26
1927	80.1	Feb. 25	66.8	Dec. 28
1926	76.3	July 28	68.9	Dec. 22
1925	78.8	Jan. 21	66.1	Dec. 23
1924	83.7	May 21	70.5	Dec. 24
1923	78.2	July 25	71.3	Jan. 8
1922	80.4	Aug. 9	71.1	Jan. 4
1921	73.1	Dec. 7	46.4	Jan. 7
1920	45.5	Dec. 17	42.4	May 14

Banking laws specify that minimum legal reserves shall be maintained, for the better protection of depositors. The amount of reserve required for a bank which is a member of the Federal Reserve System depends on the size of the community in which the bank is located and the nature of its deposits. On the average throughout the country the reserves required for member banks have averaged about 15 per cent. of demand and time deposits. Latest legislation specifying legal reserve requirements for member banks is provided in Sec. 2 of the Joint Resolution of Congress of August 16, 1948, which amends Sec. 19 of the Federal Reserve Act to authorize changes in heretofore maximum legal reserve requirements (see Reserve) for a temporary period expiring June 30, 1949, as follows:

"Notwithstanding any other provisions of law, the Board of Governors of the Federal Reserve System, in order to prevent injurious credit expansion, may by regulation change the requirements as to reserves to be maintained pursuant to this section against demand or time deposits or both (1) by member banks in central reserve cities, or (2) by member banks in reserve

cities, or (3) by member banks not in reserve or central reserve cities, or (4) by all member banks; but no such change shall have the effect of requiring any such member bank to maintain a reserve balance against its time deposits in an amount equal to more than 7 1/2 per centum thereof, or a reserve balance against its demand deposits in an amount equal to more than 30 per centum thereof if such bank is in a central reserve city, 24 per centum thereof if in a reserve city, or 18 per centum thereof if not in a reserve or central reserve city. No change in reserve requirements made under authority of this paragraph shall continue in effect after June 30, 1949."

Pursuant to this legislation, the Board of Governors on September 8, 1948 amended the Supplement to Regulation D so as to increase the reserve requirements of member banks as follows:

1. 7 1/2% of time deposits; plus--
2. 16% of net demand deposits if not in a reserve or central reserve city;
   22% of net demand deposits if in a reserve city, except as to any bank located in an outlying district of a reserve city or in territory added to such city by the extension of the city's corporate limits, which, by the affirmative vote of five members of the Board of Governors of the Federal Reserve System, is permitted to maintain 16% reserves against net demand deposits;
   26% of net demand deposits if located in a central reserve city, except as to any bank located in an outlying district of a central reserve city or in territory added to such city by the extension of the city's corporate limits, which, by the affirmative vote of five members of the Board of Governors of the Federal Reserve System, is permitted to maintain 16% or 22% reserves against net demand deposits.

These latest reserve requirements were effective as to banks in reserve and central reserve cities at the opening of business on Sept. 24, 1948, and as to other member banks, at the opening of business on Sept. 16, 1948.

In the same way, Federal Reserve Banks must keep in reserve a certain proportion of their funds, and because of the fact that the reserve banks carry reserves for other banks, the percentage is much higher—35 per cent. in gold certificates or lawful money of the amount of their deposits, and 40 per cent. in gold certificates of the amount of their Federal Reserve Notes. However, for purposes of convenience and ease of reference the published reserve percentage is a single figure. This figure is the proportion which the total reserves bear to the amount of both deposits and notes. Thus a 75 per cent. reserve ratio (or percentage) means that the reserve banks have reserves in gold certificates or lawful money which amount to three-quarters of the sum of their deposits and notes.

The reserve ratio of the reserve banks may therefore be affected by any one of three factors,—a change in the amount of cash reserves, a change in the amount of note issues, or a change in the amount of deposits. Changes in the cash reserves, however, affect the ratio more than do changes in either of the other two items. This may be illustrated best by an example. On June 30, 1948, the cash reserves of the reserve banks were $22,513,583,000. Deposits were $20,175,977,000, and notes in circulation $23,751,812,000. The reserve percentage is computed from the fraction

$$\frac{22{,}513{,}583{,}000}{23{,}751{,}812{,}000 \text{ plus } 20{,}175{,}977{,}000} \text{ or } \frac{22{,}513{,}583{,}000}{43{,}927{,}789{,}000},$$

which equals 51 per cent. It is clear, arithmetically, that an increase or decrease of $100,000,000 in cash reserves, shown above the line, affects the percentage more than a like change in deposits or notes, shown below the line.

Ordinarily the principal changes would take place in the figures below the line, namely in the reserve bank deposits and note issues. The way in which such changes would come about, and the reserve ratio be thereby affected may be illustrated by the following example: A merchant of Batavia, N. Y., finding his business growing, is in need of additional funds with which to increase his stock of goods. He goes to his bank and obtains a loan, part of which he may wish to receive in the form of a deposit credit against which he may draw checks, and part of which he may wish to receive in currency. If his bank's reserve is high, it may be able to supply him without borrowing.

But if business is exceptionally active and the bank has no excess reserves, the bank itself may have to borrow in order to accommodate the merchant and its other customers. It borrows perhaps $100,000 at the reserve bank, receiving in return Federal Reserve notes or a deposit on the books of the reserve bank which under the law serves as reserve against the increased deposits of its customers. The reserve bank does not pay out or part with any of the cash composing its reserve, but the aggregate of its deposits and notes is increased $100,000 and the reserve ratio is proportionately lowered.

Conversely, when business activity is diminishing, the Batavia merchant and many others like him, are paying off their loans at their banks and at the same time currency is being released from circulation and deposited in the banks. With these receipts the banks in turn reduce their borrowing at the reserve banks. The cash composing the reserves of the reserve banks is not increased, but their deposits and notes are decreased, and the reserve ratio is proportionately raised.

Thus if conditions were such that the gold reserve remained practically stationary, the reserve percentage would reflect directly the changing needs of business and agriculture. Its lowering would mean a growing volume of commercial activity, accompanied by an increased credit demand upon the banks and a gradual narrowing of the margin of available credit. Its rising, on the other hand, would mean a slackening pace of industry, an easing in the credit demand, and a replenishing of the credit reservoir. (See Federal Reserve Statement.)

RESERVE REQUIREMENTS

See Reserve.

RESIDUARY DEVISEE

A person to whom real property of an estate is devised in the residuary clause of a will after the specific devisees have received their shares. Real property is devised; personal property is bequeathed. (See Devise.)

RESIDUARY LEGATEE

A person named in the residuary clause of a will who

shares in the distribution of the personal property of the testator, after the estate debts and expenses have been paid, and the specific, demonstrative and general legacies have been distributed. (See Legacy.)

RESISTANCE POINTS

A term used by stock market operators to indicate the price level at which a stock in a declining market tends to stop; i. e., "resist" further selling. This is taken to mean, by speculators who operate on the basis of charts, that those familiar with the stock, e. g., insiders, regard the stock as intrinsically cheap at that price and are willing to support the market at that level by taking all that is offered. It also refers to the price level beyond which a stock refuses to rise in an advancing market; i. e., a resisting point. The price "resists" further gains because, it is reasoned that those most familiar with the conditions behind the stock believe that the price is higher than is warranted by underlying conditions. It is by studying these "resistance points" in the market for individual stocks that some operators and chartists obtain their "signals" for market operations.

RESPONDENTIA

An instrument by which the master of a ship pledges its cargo as security for money borrowed in order that necessary repairs may be made at a foreign port.

(See Bottomry Bond.)

REST

A title given to the surplus account which appears in the published statement of the Bank of England. Elsewhere in English bank accounting, this account is entitled, Reserve Fund, and corresponds to the combined surplus and undivided profits accounts in American bank accounting practice.

RESTRICTIVE INDORSEMENT

Any indorsement which results in the indorsee becoming an agent or trustee for the indorser. An example is: "Pay A for collection." Such an indorsement prohibits the further negotiation of the negotiable instrument.

RESUMPTION OF SPECIE PAYMENTS

See Specie Payments.

RETAIL TRADE

Retail stores are defined by the Census of Business as those in which over half ot the sales are at retail. Four or more stores which operate in the same general business and are centrally controlled are classified as a chain. Other retail stores are defined as independents or mail order houses. Total retail sales are further classified as to durable goods and non-durable goods.

Statistics on retail sales are compiled and published by the U. S. Department of Commerce, Bureau of Foreign and Domestic Commerce, and index numbers of sales and inventories of department stores are compiled and published by the Board of Governors of the Federal Reserve System.

Since 1929, all retail stores, as reported by the U. S. Department of Commerce, have had the following sales volume:

Year	Total Sales	Durable Goods	Non-Durable Goods
	(in millions)		
1929	$48,459	$14,180	$34,279
1930	41,989	10,269	31,720
1931	34,572	7,372	27,380
1932	25,013	4,034	20,979
1933	24,517	4,844	19,673
1934	28,743	5,959	22,784
1935	32,791	7,626	25,165
1936	38,338	9,863	28,475
1937	42,149	11,071	31,079
1938	38,053	8,591	29,462
1939	42,042	10,379	31,663
1940	46,388	12,418	33,970
1941	55,490	15,604	39,886
1942	57,522	9,846	47,706
1943	63,680	9,339	54,341
1944	69,484	9,967	59,517
1945	76,572	11,498	65,074
1946	100,255	20,756	79,499
1947	117,725	28,666	89,058

(See Chain Stores.)

RETIREMENT

The paying off of an obligation at maturity, or prior thereto. The term is practically synonymous with redemption and may be used in connection with bonds, notes, acceptances, or paper money (promises to pay) issued by the Government, or by Federal Reserve or National banks. When bonds are subject to redemption, optional retirement is provided. (See Optional Bonds). When paper money is retired, it is withdrawn from circulation and cancelled. (See Federal Reserve Notes.)

RETREAT

A stock market expression used by financial writers to indicate a general decline in security values.

RETURN

This term has two usages: (1) the current return or yield on bond or stock as found by dividing the price into the annual dividend or interest payment; and (2) a general term for an exhibit of banking statistics, such as a combined statement of assets and liabilities of a clearing house association.

In England, a bank statement of condition or balance sheet is called a bank return; for example, return of the Bank of England. (See Bank of England Statement, Yield.)

RETURN REMITTANCE

A check forwarded by a bank acting as collection agent or correspondent, in payment of the proceeds of check previously forwarded by, and collected for, an out-of-town bank with whom arrangements for collection have been established. The letter accompanying the return remittance lists the collected checks, and is known as a remittance letter. (See Remittance Account).

RETURNED ITEMS

Checks, or other demand or matured items which are returned by a drawee bank to the presenting bank be-

cause of certain technical irregularities or invalidities which, if accepted, might involve the drawee bank in a loss. They are returned so that the presenting bank may correct the defect, or take such other action as may be necessary. (See Irregularities.)

REVENUE

Funds raised by a government for public purposes, and consisting of taxes, including direct taxes and excises, licenses, fees, special assessments, fines, etc., income from publicly owned and operated projects or services, and miscellaneous receipts, such as proceeds of sale of publicly owned properties, interest on government funds, etc. Revenues are further classified as to Internal Revenue (q. v.), and Customs Duties or other foreign derived revenues.

Proceeds from loans or borrowing are not classified as revenue, as although they add to current receipts, they also give rise to concurrent borrowing liabilities.

In accounting of railroads and public utilities, gross receipts from services are termed Operating Revenues.

REVENUE ACT

Congress passes the laws to raise revenues for the administration of the Federal Government, the Constitution requiring that bills for raising revenue must originate in the House of Representatives. The Revenue Act, though usually modified and amended from year to year, is of continuing operation and force into a following year at the prevailing rates, until or unless amended. Since the income tax was introduced in 1913, these acts increased in content and complexity, and finally in 1939, the Internal Revenue Code was enacted to consolidate and codify all laws relating to internal revenue.

Since 1939, the Internal Revenue Code has been further amended by the Revenue Acts passed in almost every succeeding year, reflecting changes in exemptions and rates. Latest Act passed is the Revenue Act of 1948, which permits the splitting of income by a husband and wife if they file a joint return, and allows for the first time the important "marital deduction" in computation of estate and gift taxes.

(See Income Taxes.)

REVENUE BONDS

Bonds issued by municipalities with principal and interest payable from revenues or income from municipally-owned public works, such as water works, electric light and power plant, port authority, railroad, etc. Thus, revenue bonds are secured from the property and income of a city-owned enterprise. In some cases revenue bonds are additionally secured by the general taxing power of the issue. (See Tax-Anticipation Bonds.)

REVENUE EXPENDITURES

See Capital and Revenue Expenditures.

REVOCABLE CREDIT

A letter of credit which can be cancelled by the issuing bank without consulting the beneficiary. (See Letters of Credit.)

REVOLVING ASSETS

Same as Current Assets (q.v.).

REVOLVING CREDIT

See Letters of Credit.

RICH MAN'S PANIC

A name given particularly to the panic of 1903, but which might be applied to any period in which there is a sudden and violent decline in security prices, due to the out-pouring of new issues which have not been fully digested, rather than to fundamental economic causes. Thus, the panic of 1903 was one of "undigested securities," in which security prices dropped precipitately due to the conversion into cash of large holdings by wealthy and influential investors and speculators. Such a panic does not create widespread financial disarrangement nor does it mark the beginning of a period of serious depression, but concentrates itself on the stock and bond markets. It therefore primarily affects "rich men" rather than the public at large.

RIGGING (RIGGING THE MARKET)

An expression used to indicate the manipulation of security prices by professional operators to their advantage. Manipulative practices on stock and commodity exchanges are prohibited by the Securities Exchange Act of 1934 (q.v.), and Commodity Exchange Act (q.v.). The term is used more frequently on European exchanges than in this country. There it has reference to the practice of creating a false show of activity and strength by artificially forcing prices upward with the intention of inducing the public to buy. If the manipulatory tactics are successful, securities are unloaded upon the public at higher prices than those at which they are accumulated.

RIGHTS

A term to denote the privilege given to a stockholder to subscribe to additional stock of the same or another class or to bonds of the same company, or to convert bonds into stock, at a certain price. Usually the term refers to the privilege accorded a stockholder of subscribing for more stock of the class, at a price below the market, or on such favorable terms as to make the privilege valuable. When a corporation desires to increase its capital stock, it is customary or may be required by reason of stockholders' preemptive rights, to give its stockholders of record the preference of subscribing to the additional shares to be issued over the general public, and in amounts proportional to the number of shares already held.

The privilege attached to one share of stock held of subscribing to the new, regardless of the ratio which the original stock bears to the new, is called one right. The privilege must be exercised within a limited option period, and when the stock reaches the stockholders of record date or other "ex-rights" date, the original stock is said to be "ex-right", because only stockholders of record on the ex-rights date are entitled to receive the rights to subscribe.

Rights are assignable, and if the holder of stock with rights does not wish to exercise his rights to purchase new shares, he may sell and transfer them to another. Stock exchanges often list rights which may be attached to shares traded thereon.

The value of rights depends upon two variables: (1) the ratio of the number of new shares to be issued to those already outstanding, i. e., the number of old shares required to secure one new share, and (2) the excess of the market price of the outstanding shares over the subscription price of the new shares.

To illustrate how the value of rights is computed, the

following example is given. Suppose the subscription price of the new shares is 25; that the market price of the old shares is 33 1/2; and that 1 share of new stock may be subscribed for 4 shares of the old. After the new stock is issued there will be 5 shares outstanding for every 4 shares outstanding previous, i. e., the new capital stock (assuming there is only one class) will be 125 per cent. of the old. Four shares of the old stock will be worth 4 times 33 1/2, or $134. One share of the new stock costs only $25, which is the amount which will be added to the company's assets. Five shares made up of four of the old and one of the new, therefore, will be worth $134 plus $25 or $159. One share of stock after the 25 per cent. increase has been effected will be worth one-fifth of $159, or $31.80. The right to subscribe for a new share will be worth the difference between the market price of the old shares and the average value of the shares after the new stock has been sold, or $1.70 ($33.50 less $31.80).

The following is a briefer formula which gives the same result: Subtract the subscription price of the new shares from the market price of the old; then divide the difference by one plus the number of old shares required to secure one new share. Worked out, the computations would be as follows: $33.50 less $25 equals $8.50; $8.50 divided by 5 equals $1.70.

RING

In security manipulation before passage of the Securities Exchange Act of 1934 (q.v.), clique or informal pool composed of individuals who had a community of interests, and who co-operated in order to achieve a certain end, such as to raise or lower the price of a certain security. Unlike a pool, there was no written contract delegating management to one member and binding the individual members to share profits or losses. The members were free to manage their own commitments as they chose.

In commodity exchanges, the structure on the trading floor around which brokers and traders gather to trade in futures. On the grain exchanges, it is called the Pit (q.v.).

RISK

See Business Man's Risk, Business Risk, Credit Risk, Distribution of Risk, Diversification, Gambling, Insurance, Moral Risk, Property Risk, Speculation.

ROBERT MORRIS ASSOCIATES

An association of bank credit men, organized chiefly to conduct research work in bank credit. The publication of this organization is known as the Bulletin of the Robert Morris Associates (monthly).

The association is a corporation of the first class not for profit chartered by the Commonwealth of Pennsylvania, formally organized in 1919 after informal inception in 1915 by banking members of the National Association of Credit Men under the title Robert Morris Club. Membership is limited to National and State commercial banks, savings banks, trust companies, Federal Reserve Banks, and private banks or bankers engaged in a general banking business, discount or acceptance houses, commercial paper dealers, and American agencies of foreign banks doing a discount or deposit business in the United States.

ROLLOVER

A term used particularly in connection with financing of U. S. Government securities (Certificates of Indebtedness) in recent years, whereby a new offering is subscribed for in maturing obligations. Holders of the maturing obligations are afforded the privilege of subscribing to the new issue by turning in holdings of the maturing obligations in payment. Thus, the maturity "rolls over", and the operation is similar to a refunding. (See U. S. Government Securities.)

ROOM TRADER

A name sometimes given to a stock exchange member more usually known as a Floor Trader (q.v.), who does not maintain a commission house for the execution of customers' orders, but who trades solely for his own account. A room trader is usually a professional speculator who takes out an exchange membership in order to save the expense of paying commissions on his voluminous transactions, and for the privilege of trading on the floor of the exchange board room where he can take advantage of price fluctuations as they occur.

ROTATION

A term used by students of technical action of the stock market to describe one of the characteristics of a bull market. Not all stocks rise simultaneously or uniformly in an advance. The movement starts in groups previously deflated and working into a favorably industrial position. As these groups tire of rising they rest, and the advance is communicated to others. Then, as other groups improve their earnings position, they, in turn, participate. In a broad bull market there may be several distinct periods of rise in a group of stocks, or in individual stocks.

ROUND LOT

A stock exchange transaction involving a large number of shares in multiples of 100 shares, e. g., 500 shares, 1,000 shares, 2,000 shares, etc. The term is also applied to the unit of trading, which for active stocks is usually 100 shares. Unit of trading for inactive stocks is usually 10 shares, designated as "Ten Share Unit Stocks". Amounts less than the unit of trading are Odd Lots (q.v.).

ROUND TRANSACTION

A completed trading transaction; i. e., the sale of a security or commodity previously purchased, or a purchase to cover a previous short sale.

ROUND TURN

Same as Round Transaction (q.v.).

ROUTE ITEMS

A term sometimes used among bank employees of non-clearing house checks and other items which are collected by messenger. Banks in the larger cities map out certain routes or areas which are assigned to individual messengers. Each messenger collects the items drawn on banks or individuals located within the boundaries of his route, whence the origin of the term.

ROYAL EXCHANGE

A building in London where foreign exchange is wide-

ly dealt in, and where Lloyd's underwriters are located. It is not to be confused with the London Stock Exchange.

ROYALTY

A payment made to an inventor or to an author respectively by a manufacturer or publisher in return for the exclusive right to manufacture and sell the inventor's or author's product. The royalty is usually based on a certain percentage of the sales, or a specified return on each sale, of the patented article or copyrighted book, etc. The term also applies to a return on a concession, or to payments due to an owner or landlord by an operating company for minerals or ores taken from mines or quarries located on his property.

Oil royalty interests have been defined by the Securities and Exchange Commission in its Regulations B and B-T, conferring exemption under certain conditions to offerings of less than $100,000, as follows:

Landowners' royalty interests means fractional undivided interests in the royalty reserved by a landowner or fee owner upon the creation of an oil or gas lease.

Overriding royalty interests means fractional undivided interests or rights of participation in the oil or gas, or in the proceeds from the sale of the oil or gas, produced from a specified tract, which are limited in duration to the terms of an existing lease and which are not subject to any portion of the expense of development, operation or maintenance.

Working interests means fractional undivided interests or rights of participation in the oil or gas, or in the proceeds from the sale of oil or gas, produced from a specified tract, which are limited in duration to the terms of an existing lease and which are subject to any portion of the expense of development, operation or maintenance.

Oil or gas payments means fractional undivided interests or rights of participation in the oil or gas, or in the proceeds from the sale of oil or gas, produced from a specified tract, and which are limited to a maximum amount fixed in barrels of oil, cubic feet of gas, or dollars.

RUBBER

One of the essential industrial raw materials of the world, the value of which is greatly enhanced by manufacture into an almost infinite variety of finished articles. The development of rubber manufacture derived its original impetus from the discovery of the process of vulcanization by Charles Goodyear over a century ago. Prior to World War II, the United States presented the unique position of consuming about half of the world's production of natural crude rubber, but growing none itself and with foreign plantation holdings of leading American companies themselves subject to foreign production and price control. During World War II, however, the United States developed as a defense measure the new important synthetic rubber industry Present legislation, extending through June 30, 1950, calls for the maintenance in active operation or in stand-by status of synthetic rubber plants having an annual capacity of 600,000 tons of general purpose synthetic and 65,000 tons of special purpose synthetic. In addition, the reclaimed rubber industry in the United States has been steadily supplying 240,000 to 290,000 tons of reclaimed rubber in recent years.

Crude Rubber Production—Prior to 1900, almost all the crude rubber used commercially was supplied from the wild species of the jungle belt 15 degrees north and south of the equator, and mainly in Central America and Africa. Since 1876, however, when a number of seeds of the Hevea brasiliensis tree, whose sap is the source of crude rubber, were germinated in London and the saplings transplanted to Ceylon, production of plantation (estate) rubber, and from small native land holdings, has steadily increased. While the foundation of the present great rubber plantations of British India and the Dutch East Indies were laid by the transplantations from Ceylon, it was not until 1913 that plantation rubber exceeded wild rubber production. Plantation rubber output has increased markedly since 1910, and now represents nearly all of the world's output, whereas wild rubber gatherings, reaching a peak in 1912, have since declined, and very sharply since 1927. British producers (Malaya, Ceylon, India-Burma, Sarawak, and North Borneo) accounted in pre-World War II years for nearly half of world production, and Dutch producers, for over 40%. These two major producers, Great Britain and the Netherlands, dominated the International Rubber Regulation Committee, which following 1934 exercised control over crude rubber production (see Production Controls below).

Uses—In the earlier history of the industry, uses were chiefly centered around foot-wear, raincoats, stationers' rubber goods, mechanical goods, and (later) bicycle tires and casings. The industry was further accelerated with the advent of the automobile (about 1900), which developed the present large demand for tires and tubes. At present, despite the diversification developed in production applications, tires and related products still account for about 60% of dollar value of rubber products. The fact that the United States owns about three-quarters of the world registration of motor vehicles explains this country's consumption of approximately one-half the world's output of the raw material, and why rubber constitutes one of the most important by value (in some years the most important) commodity import.

Sharpest growth in sales of manufactured rubber products has been in mechanical rubber goods, which by pre-World War II had increased in importance from 10% of domestic sales in 1929 to over 21%. Since 1941 the proportion of mechanical rubber goods sales for industrial applications has undoubtedly increased further, stimulated by the development of synthetics which have characteristics particularly suitable for industrial uses. Since 1931, lactron, a spun rubber thread, and lastex, a two-way stretch textile, has been successfully introduced in the manufacture of apparel were flexibility is desired. Foam rubber has been another recent application having promising possibilities.

Production Controls—In spite of the large increase in demand, rubber production has periodically outrun consumption; in consequence of which controlling interests have from time to time promoted restriction agreements. Following earlier attempts to control production, which proved unsuccessful, the so-called Stevenson Plan of limiting production and exports was adopted by the British Government on November 1, 1922, but without the co-operation of Dutch interests, and continued in force until 1928. While the plan was successful in the beginning and resulted in a sharp increase in the price of rubber up to 1925 (when a maximum price of $1.21 was recorded), it later failed due chiefly to production in unrestricted areas, and to increased use of re-

claimed rubber. Reclaimed rubber normally accounted for about 20% of crude rubber consumption.

On June 9, and July 1, 1932, crude rubber declined to the lowest price in history at 2 5/8 cents per pound. Such a price was ruinous to all producers. Accordingly, after months of discussion and deliberation, in which both British and Dutch interests participated, regulations for production and export control were adopted and published on April 29, 1934, by leading territories in the Middle East, representing 90 per cent. of the world's rubber production. Thereupon, the government undertook to limit planting, production, stocks and exports of rubber, the export quotas to be fixed from time to time by the International Rubber Regulation Committee. Control of native rubber production was attempted by an export tax.

Briefly, the object of the scheme was as follows: to regulate the production and export of rubber in and from producing countries, with the object of reducing existing world stocks to a normal figure and of adjusting in an orderly manner supply to demand in order to maintain a fair and equitable price level, which would be reasonably remunerative to efficient producers. The scheme was very comprehensive in scope and applied to the following territories: British Malaya, Dutch East Indies, Ceylon, India, including Burma, French Indo-China, the state of North Borneo and Sarawak. These territories were allotted maximum exportable quotas for the five years 1934 through 1938, and the International Rubber Regulation Committee was to meet at periodic intervals to fix the percentage of the quotas that the territories would be allowed to export. With the price break of 1937-1938 and decline in consumption, this international regulatory measure broke down, and has not been revived since.

New York Market — The New York market for rubber futures is conducted on the Commodity Exchange, Inc. (q. v.), one of the world's most important markets for this commodity, and which, by cable arrangements, keeps in close contact with the London and Singapore markets.

The unit of trading is one contract calling for the delivery of ten tons, or 22,400 pounds, of crude rubber, and price fluctuations are in multiples of one one-hundredth of a cent per pound. The contract basis grade is No. 1 standard quality ribbed smoked sheets Hevea Plantation rubber conforming to the official Exchange rubber type and description. Other deliverable grades are: at 5/100ths of 1¢ per lb. premium, No. IX Superior Quality Ribbed Smoked Sheets (Exchange Rubber type and description); at discount of 50/100ths of 1¢ per lb., No. 2 Good Fair Average Quality Ribbed Smoked Sheets (Exchange Rubber type and description); and at discount of 1¢ per lb., No. 3 Fair Average Quality Ribbed Smoke Sheets (Exchange Rubber type and description).

Delivery is at seller's option at any time during the month specified in the contract in licensed warehouse or on dock in the port of New York. All deliveries must be certificated as to grade, packing and weight by the Inspection Bureau of the Exchange. Delivery must consist of only one of the deliverable grades in only one of the tenderable packages and must be in one location (one licensed warehouse or dock) but need not be made up of only one chop or mark.

Principal source of statistics relating to rubber in the United States is the Rubber Manufacturers Association. The accompanying tables indicate production and consumption in the United States and in the world in the past two decades.

(See Commodity Exchange, Inc.)

Table I.

Production and Consumption of Natural Crude Rubber
(in thousand long tons)

	World		United States
Year	Production	Consumption	Consumption
1947	1,226.4	1,112.0	562.7
1946	950.4	537.0	277.6
1945	268.6	372.0	105.4
1944	274.3	260.0	144.1
1943	251.7	462.0	317.6
1942	400.8	656.5	376.8
1941	1,527.8	1,200.0	775.0
1940	1,389.0	1,052.6	648.5
1939	1,001.9	1,078.7	592.0
1938	890.8	911.3	437.0
1937	1,133.1	1,083.2	543.6
1936	852.2	1,020.1	575.0
1935	863.0	937.0	491.5
1934	1,013.4	927.0	453.2
1933	845.3	818.4	401.1
1932	709.8	670.3	332.0
1931	797.4	668.7	350.0
1930	821.8	685.0	375.7

Table II.

Comparative Natural, Synthetic and Reclaimed Rubber Consumption in U. S.
(in thousand long tons)

Year	Natural Rubber	Synthetic Rubbers	Reclaimed Rubber
1947	562.7	559.6	288.7
1946	277.6	761.7	225.4
1945	105.4	693.6	241.0
1944	144.1	566.7	251.1
1943	317.6	170.9	291.8
1942	376.8	17.7	254.8
1941	775.0	0.6	251.2

Sources--Rubber Manufacturers Association.

RUBLE

The Russian international currency unit, also spelled rouble. (See Foreign Moneys—Table 2.)

RULE AGAINST PERPETUITIES

The rule against undue suspension of alienation of property, founded upon reasons of public policy. The rule has been made statutory in about 14 States and the District of Columbia. In New York State, Sec. 43 of the Real Property Law provides that successive estates for life cannot be limited, except to persons in being at the creation thereof; where a remainder is limited on more than two successive estates for life, all the life estates subsequent to those of the two persons first entitled thereto, become void, and on the death of those persons, the remainder takes effect in the same manner as if no other life estates had been created. (See Trusts.)

RUN ON A BANK

When there is a concerted movement of depositors to withdraw deposits from a bank, due to fear of its insolvency, especially in times of panic, or money or credit disturbance, is called a run. Since a bank's customary cash reserve is a small percentage of its deposits, a wholesale run might easily cause the bank to suspend cash payments, even though its assets were entirely sufficient to pay off all liabilities. If a bank is in a position to liquidate its quick assets and pay deposits promptly, confidence may be restored, and the run stopped. Runs on banks were common during the panics of 1837, 1857, 1873, 1893, 1900 and 1907. The most serious runs on banks occurred during the years 1932-1933, which finally culminated in State banking holidays and eventually the nation-wide bank holiday declared by the President. One of the primary purposes of the Federal Deposit Insurance System is to maintain the confidence of depositors in banks, the lack of which was chiefly responsible for bank runs in the past.

RUNNER

Another name given to a bank's or broker's messenger. (See Messenger.)

RUPEE

The international currency unit of Burma, Ceylon, India, Mauritius, Seychelles, Somaliland and Tibet. The Indian Rupee is the currency unit of Bahrein Island. (See Foreign Moneys--Tables 1 and 2.)

RUPIA

The international currency unit of Portuguese India, equivalent to 16 tangas or 192 reis internal currency. (See Foreign Moneys--Table 2.)

RURAL CREDITS

See Agricultural Credit, Farm Mortgages, Federal Farm Loan System.

RURAL CREDITS ACT

See Agricultural Credits Act, Farm Credit Administration, Federal Farm Loan Act, Intermediate Credit Banks.

RURAL ELECTRIFICATION ADMINISTRATION

Since 1939, the Rural Electrification Administration has been part of the organization of the Department of Agriculture, and since passage of the Agriculture Organic Act of 1944, former time restrictions on its program have been removed. It was originally created by Executive Order in 1935 as a temporary agency, but later under the Rural Electrification Act of 1936, was given a 10-year future.

As of March 31, 1948, the REA reported total assets of $817 million, largely consisting ($785 million) of loans outstanding. Self-liquidating amortized loans, up to a term of 35 years, are made at low 2% interest rates to cooperatives, public bodies and even private companies for the purpose of financing extension of central station electric service into rural areas. Sources of funds are appropriations authorized by Congress.

The REA program has grown to the point where the estimated proportion of farm electrification is 60%, compared with 10.9% when the program was initiated. (See Public Utility Industry.)

RYE

The fourth most active grain in futures trading, although the annual crop is the smallest of the grains in the United States. Approximately half of the rye crop in recent years has been used as feed. Only about 20% of the crop has been used for food, another 15% for distilled spirits, and the balance for seed. More than half of the crop is produced in the states of Minnesota, North and South Dakota, and Nebraska.

The 1947 crop of over 25 million bushels was sharply higher than the low 18.7 million bushel crop of 1946, but nevertheless was substantially below the average for the previous decade.

Futures trading in rye is conducted on the Chicago Board of Trade and Minneapolis Grain Exchange, both regulated commodity exchanges under the Commodity Exchange Administration. Contract unit of trading on these exchanges is 5,000 bushels, trading also being done in job lots of 1,000 bushels. Minimum price fluctuation, or "point", is 1/8¢ per bushel, or $6.25 per contract unit. Daily trading limit above or below previous close is 10¢, the maximum range being 20¢.

The following table indicates the fluctuation in annual crops and prices received by farmers for rye:

Year	Production (bushels, 000 omitted)	Average Price Received by Farmers
1947	25,405	(a)
1946	18,685	190.0¢
1945	23,952	135.0
1944	25,500	109.0
1943	30,452	98.1
1942	57,673	59.8
1941	45,364	53.9
1940	39,984	41.9
1939	38,562	43.9
1938	55,984	33.8
1937	48,862	68.6
1936	24,239	81.2
1935	56,938	39.8
1934	16,285	72.0
1933	20,573	62.7
1932	39,099	28.0
1931	32,777	34.1
1926-1930	40,928	75.3
1921-1925	63,746	74.9
1916-1920	39,714	148.0
1911-1915	65,481	74.7

(a) Average price received by farmers on the 15th of the month for July, 1946-July, 1947 was 214¢ per bushel, compared with 135¢ on the same basis for previous 12 months.

Source--Figures up to and including 1946, Statistical Abstract of the U. S.; 1947, U. S. Department of Agriculture.

(See Commodity Exchanges.)

SAFE DEPOSIT BOX

See Safe Deposit Company.

SAFE DEPOSIT COMPANY

A financial warehouse. A company organized to provide facilities for the systematic safe keeping of securities, contracts, wills, insurance policies, jewelry, plate and other valuable documents and property, either as a separate institution, or in connection with a bank or trust company. The premises are usually in the basement of a fireproof building. Extensive vaults must be maintained, proof against fire, water, burglars, and mob violence. The vault itself is usually constructed of armor steel heavily encased in brick or concrete with double doors which are equipped with complicated locks often equipped with a time lock and special emergency alarm apparatus. The combination locks on the outer and inner doors are usually subject to joint control and access requires at least two persons. Among the larger companies special watchmen are placed on duty day and night to furnish additional protection. Inside the vault are separate steel compartments of various sizes, each with a separate door and lock, to be rented to customers.

Safe deposit boxes vary in capacity and shape from a small drawer to a moderate sized safe, the rental charge being in proportion to space occupied. Access can be gained only by the renter in person, or by a duly authorized attorney. Each box is unlocked only through joint control. No renter can enter the vault without being accompanied by the vault attendant, who has a master key to each box. This must be unlocked by the vault attendant before it can be unlocked by the renter. Within the locked compartment drawer is a separate box, usually of steel, with a lock of its own. This can be withdrawn by the renter. Oftentimes private rooms are furnished so that the owners may clip the coupons, examine their valuables and otherwise administer their affairs in privacy. A strict guard is kept at all times.

The relationship between a safe deposit company and box renter is that of bailor and bailee. The safe deposit company is responsible for the safety of the renter's possessions. The renter is bound only to pay his rent and to submit to regulations necessary for the safety of his own property and that of his fellow renters. When a tenant dies, his box may be opened only by the legal representative of the estate on a certificate of the surrogate or probate judge which will assure the safe deposit company of the right of such representative to the control of the property of the deceased.

The records of a safe deposit company, while simple, must provide means of certain identification. Records must be kept containing signatures, addresses, rental terms and such information as number of box, number of key, and appointment of deputies. A visitor's register shows the hour of arrival and departure of each renter who visits his box. In New York State the forms of records are prescribed by the Superintendent of Banks and all safe deposit companies are subject to regulation by the State Banking Department.

Under Art. VIII of the New York State Banking Law (Secs. 315-332), five or more persons may form a corporation to be known as a safe deposit company. Capital stock shall not be less than $100,000 nor more than $2,000,000 if the place of business is to be a city with population of 100,000 or more; and $10,000 nor more than $2,000,000 elsewhere in the State.

In addition to the powers conferred by the General and Stock Corporation laws, every safe deposit company shall have the powers to:

1. Receive as depositary for hire or as bailee for safekeeping and storage, money or any valuable personal property; and to guarantee the safety of any property so deposited with it;

2. To let vaults, safes and other receptacles upon premises occupied by such safe deposit company.

Any safe deposit company having a capital of $100,000 or more may be permitted to open and maintain branch offices in the city or village where the principal office is located. Any safe deposit company having a capital of $100,000 or more, the majority of whose stock is owned by any other banking institution or a National bank may be permitted to maintain a branch office at a location at which such bank is maintaining a duly authorized office.

No safe deposit company shall:

1. Lend money or make any advance on any property left in its possession or belonging to others.

2. Open or maintain any branch offices except as authorized.

Stockholders of safe deposit companies in New York State formerly had "double liability", but such double liability ceased July 1, 1937 as to all outstanding stock provided the required six months published prior notice was given as required. Assessment liability continues as to restoring any impairment of capital.

Safe deposit companies shall have not less than five nor more than 13 directors. On or before February 1st of each year, every safe deposit company shall submit a verified written report to the Superintendent of Banks as of January 1st preceding.

Special remedies available to safe deposit companies in enforcing the liability of depositors are outlined in detail in the New York law, and may be summarized as follows:

1. Warehousemen's lien on property deposited.

2. Sale of contents of the safe or box for non-payment of rental. If unpaid for two years after mailing of notice and 30 days' further notice is given, the contents are transferred to a general safe or box for a period of not less than 2 years, after which the safe deposit company upon another 30 days notice by mail, may sell the contents at public auction held on another 10 days notice. Proceeds shall go to reimburse the safe deposit company, and any excess shall be turned over to the State Comptroller pursuant to the Abandoned Property Law.

If the contents are merely private papers, these shall not be sold, but kept for a period of 10 years before destruction.

3. Sale shall be deemed satisfaction of the lien.

4. Collection of principal, interest or dividends on securities found in a safe or box opened for non-payment of rental may be made and charges satisfied therefrom.

Safe deposit companies may give access to boxes let to executors, administrators or trustees, or guardians or committees: (1) by one or more of the persons acting as executors or administrators; (2) by any one or more of the persons acting as trustees, guardians or commit-

tee, when authorized in writing by the other persons so acting.

The contract of some safe deposit companies is quite voluminous, and seeks to cover every possible contingency, with a view of preventing claims. It is desirable that these contracts be as simple as possible, indicating the date of rental, the rental charge, the acknowledgment of the receipt of the two keys to the safe, a description of the depositor, whether one or more persons or a corporation are the renters, whether a deputy is to be appointed, and in those states where there is no law covering the opening of safes when the rent is unpaid, some provision to cover this point.

Where the safe is rented to but one person, the depositary usually has less trouble than when rented to two or more. When a depositor dies, the transfer tax laws tie up the safe until the executor or administrator is appointed. Where the safe is held by two or more, the death of one may delay necessary access to the survivors and may require proof for the tax authorities as to the ownership of the contents. When renting to one depositor a deputy may be appointed to have access for a depositor, but his authority ceases with the death of his principal. When a box is rented to a corporation, there should be a resolution of the board of directors of the corporation filed, indicating who is to have authority to go to the safe. When a safe is rented to a trustee, the title of the trust should be known, and a copy of the trust deed filed. Safes should not be rented to a trustee or an agent without the depository knowing the conditions of the trust or agency. Safes should not be rented to minors, though a minor may act as deputy.

Rules and Regulations.—The following are the rules and regulations of the safe deposit department of a New York bank:

1. Access to Safes may be had from 9 A. M. to 5 P. M. of each business day.

2. Safes must not be left unlocked at any time nor shall safe holders entrust their keys to any person not properly authorized.

3. Boxes should not be examined in the vault. Rooms are provided for that purpose.

4. If a key to a safe is lost the Bank must be notified without delay and the remaining key surrendered in order that the lock may be changed. If both keys are lost the Bank must be reimbursed for the expense of opening the safe and installing a new lock and key. Keys not returned must be paid for.

5. The Bank must be notified promptly of any change of address of the safe holder or his duly authorized deputy.

6. In consideration of the Bank letting the safe to more than one person, it shall be held by them as joint tenants only, access to said safe to be had by either of them or his or their duly authorized deputies or legal representatives without notice to the other or others, or his or their legal representatives, in case of death, insolvency or other disability. Upon the death of any tenant, whether space is rented to one or more tenants, the Bank may deny access to the leased space to all parties interested therein until the proper tax authority of the State of New York has been identified and an opportunity given for a representative of said tax authority to be present at the opening of said safe or box, and all claims for taxes upon any property in said safe or box against the Bank shall have been released and proper written evidence thereof received by the Bank. In case of the death of one joint tenant, the Bank reserves the right to deny, in its discretion, access to the survivors except upon notice to the legal representatives of the deceased joint tenant. It shall not be inferred, nevertheless, that the Bank has possession and control of the contents of said safe or box, or any right of access thereto, it being agreed that the tenant and his duly appointed deputy or legal representatives, have at all times exclusive possession and control of the contents of said safe or box. The Bank shall exercise ordinary diligence in order that unauthorized persons may not be allowed access, and no unauthorized access shall be inferred from mere proof of partial or total loss of property.

7. The safe holder or any one or more of several joint holders may appoint a deputy in manner required by the Bank, who shall have access to the safe hereby leased, with power to surrender it, and no person other than such safe holder or holders and/or his or their duly appointed deputy or deputies, as appears by the records of the Bank, shall be allowed access to such safe. In consideration of the Bank permitting access to a safe by a deputy, the safe holder agrees that the Bank shall not thereby incur any liability to him or to his estate unless the Bank shall have received actual notice of revocation of the deputy's authority by death or otherwise, and further agrees to indemnify the Bank against any unauthorized or wrongful act of the person appointed deputy.

8. In case the Bank is served with any legal process which purports to affect the property in, or alleged to be in, a safe deposit box, the Bank may, without incurring any liability to the parties entitled to access, suspend the right of access to said safe or box until it is advised by counsel of its interests. The Bank, in addition to these rights and immunities herein reserved, shall have all the rights and immunities, insofar as they are not inconsistent with its legal status, given to safe deposit companies by the Laws of the State of New York.

9. It is understood and agreed that safes are rented to depositors of the Bank only and for the sole purpose of depositing therein securities and valuable papers, but beyond this access to a safe cannot be restricted as to purpose. A power of attorney, qualified in any manner, will not be honored.

10. Safe rentals are due and payable annually in advance. The Bank has the option to consider that a safe is not surrendered until the keys have been returned and the Bank is notified of the surrender in writing under signature of the safe holder, or his duly appointed deputy.

11. The use of the safe is in every instance granted by the Bank and accepted by the person using the same upon the express understanding and agreement that the Bank may terminate such use and require the vacation and surrender of the safe and of the keys thereof at any time upon repayment or tender of repayment of the pro rata proportion for the unexpired time of the amount paid for the use of the safe. This lease is not assignable or transferable without the written consent of the Bank.

12. A resolution of the Board of Directors or other governing body is required as authority for access to safes leased by corporations or similar institutions. Such resolution must grant access to individuals by title of office, and when filed with the Bank shall be binding upon the corporation or other institution, until with-

drawn, and a duly attested resolution of the Board substituted therefor.

13. The safe holder agrees to such reasonable Rules and Regulations as may be adopted hereafter.

While there is no specific provision in the National Bank Act or Federal Reserve Act empowering National banks to maintain safe deposit boxes, the Comptroller of the Currency has ruled that the directors of a National bank may, in their discretion, invest a moderate sum in the construction of safe deposit vaults for the use of customers. National banks have the specific power to hold securities in custody for customers.

In carrying on a safe deposit business, however, National banks shall not invest in the capital stock of a corporation organized under the law of any State to conduct a safe deposit business in an amount in excess of 15% of the capital stock of the National bank actually paid in and unimpaired and 15% of its unimpaired surplus. Under Sec. 23A of the Federal Reserve Act, while safe deposit affilitates are exempt from that section's limitations on relations with affiliates, member banks are nevertheless subject to other provisions of the Act and the Revised Statutes applicable to loans by such banks and investments by such banks in stocks, bonds, debentures or other such obligations. (See Limitations on Bank Loans, Limitations on Investments.)

In most states, banks and trust companies have power to make limited investments in the stocks of safe deposit companies.

History—The modern safe deposit box is a comparatively recent American invention. Although places for safe-keeping have been in existence for centuries, and banks used their strong vaults for the safe-keeping of securities and other personal valuables of their customers, the novel feature of a safe deposit box is that it gives each individual independent control of his private safe and contents without knowledge of the value of the contents to others. This feature required the ingenious invention of the safe deposit lock with its two keys; one the guard key held by the vault custodian; the second the customer's private access key fitting the customer's own safe-box and giving him its exclusive control. Thus, safe deposit companies, or vault systems operated as bank subsidiaries, developed as a result of this invention.

The first safe deposit vault in the world was organized and opened for business in New York City by Francis H. Jenks in June, 1865, with the establishment of the Safe Deposit Company of New York. The second safe deposit vault was opened in Philadelphia on November 26, 1866, by the Fidelity Trust Company (now Fidelity-Philadelphia Company). The third vault was opened in Boston on January 1, 1868, under the name of Union Safe Deposit Vaults. Other sections of the country followed slowly at first, but increased more rapidly after 1890. Safe Deposit Associations have been organized in many of the states.

(See Custodianships.)

SAFETY-FUND BANKS

In 1829 New York State adopted the safety-fund system for the insurance of bank deposits and note issues. The plan provided for the annual payment of one-half per cent. of its capital by each bank into a fund held in trust by the State Comptroller. In practice, the fund was used to redeem the notes, rather than the deposits, of failed banks, since it was insufficient to pay both. The safety-fund banks were granted special charters and since a new constitution passed in 1846 prohibited special charter banks, the system was abandoned with the expiration of the safety-fund bank charters. This system was the forerunner of required reserves against deposits which started with the National Bank Act, and of the later tendency toward compulsory guaranty of bank deposits by state legislation.

(See Guaranty of Bank Deposits.)

SAFETY OF PRINCIPAL

The prime essential of a good investment. (See Investment.)

SAG

An expression denoting a tendency to slight price declines on the stock and commodity exchanges. Price declines in a sagging market are less severe than in a weak market.

SAKELLERIDES

A type of Egyptian cotton. (See Cotton.)

SAN FRANCISCO STOCK EXCHANGE

One of the principal stock exchanges of the United States (ranking fifth among Registered Stock Exchanges in volume for the year ended June 30, 1947) and ranking as the leading securities market of the Pacific Coast. While its unorganized beginnings date back to the late 1860s, and an informal market was theretofore, recognized, it was not until September 18, 1882, when a meeting of nineteen brokers was held that a charter was drafted and a formal organization known as the Stock and Bond Exchange was established.

Membership and History.—At the time of organization the number of memberships in the Stock and Bond Exchange was limited to 25. Subsequently the membership limit has been increased, and on October 2, 1928, the limit was raised to 75, which is the present limit. A single membership has commanded a price as high as $225,000.

Since its organization in 1882, the name of this exchange has undergone several changes. The first meeting fixed the name as the Stock and Bond Exchange, which was used until 1912, when it was changed to the San Francisco Stock and Bond Exchange. In December, 1927, the present name, San Francisco Stock Exchange, was adopted. This latter change was accomplished by the purchase of the properties of the local Mining Exchange, including the rights to the name: San Francisco Stock Exchange.

Since its organization, the San Francisco Stock Exchange has been located within a radius of two blocks in the Montgomery Street financial district. The organization meeting was held in the old Fireman's Fund Insurance Building at 403 California Street. The first meeting of the Exchange was held at 312 California Street. In October, 1882, the Exchange leased Room 22 in the Merchants Exchange Building at 429 California Street, and later occupied additional space at the same location. In 1905, the Exchange moved to a more extensive ground floor space in the Merchants Exchange Building, and on April 18, 1906, the fire and earthquake caused the Exchange to close temporarily.

On January 7, 1918, the San Francisco Stock and Bond Exchange Building at 341 Montgomery Street was oc-

cupied. This building housed the Stock Exchange until 1928, when, to meet the requirements of increased trading, the Stock Exchange purchased the United States Sub-Treasury Building at the corner of Pine and Sansome Streets. The building program included the complete remodeling of the Sub-Treasury Building and the construction of a twelve-story office building immediately adjacent, the whole to be operated as one building. The new trading room, 68 feet by 122 feet, occupies the entire area of the former Sub-Treasury Building, and is, equipped with the most modern facilities for the efficient transaction of business. The new building houses all departments of the Exchange, including the Clearing House and the Stock Exchange Institute.

Objects.—The objects and purposes of the San Francisco Stock Exchange, as set forth in its constitution, are:

(1) To conduct a market for the purchase and sale of Government and corporate securities;

(2) To develop and maintain just and equitable principles of trade and business;

(3) To promote and enforce high standards of commercial honor and integrity; and

(4) To furnish quarters and suitable facilities for the convenient transaction of business.

Sales volume on the San Francisco Stock Exchange for the year ended June 30, 1947 had an aggregate value of $177 million in combined stock and bond sales, largely ($175 million) in stocks. Trading hours are 7 a.m. to 2:30 p.m. Monday through Friday, and 7 a.m. to 11 a.m. on Saturday (local time), and during Daylight Saving Time in the East, the Exchange opens at 6 a.m. Thus, the San Francisco Stock Exchange has two and a half hours of additional trading after the close on the New York Stock Exchange on weekdays and two hours of additional trading on Saturday. Among the stocks traded in are various active issues listed on the New York Stock Exchange.

(See Stock Exchanges.)

SATANG

A minor currency unit of Siam, 100 satang being equivalent to one tical, which is the international currency unit.

SATURATION

The point at which the offerings of new securities are greater than the demand without substantial concessions in price. This term is used among investment bankers to indicate that new investment securities have for the time being, absorbed the available supply of capital awaiting investment. Investment bankers and syndicate managers detect the saturation point whenever attractive offerings cannot be sold within the syndicate period. Thus, when securities become a drug on the market, the saturation point is reached.

The term may also be used of commodities.

SATURATION POINT

See Saturation.

SAVINGS ACCOUNTS

According to the regulations of the Board of Governors of the Federal Reserve System, "The term 'savings accounts' shall be held to include those accounts of the bank in respect to which, by its printed regulations, accepted by the depositor at the time the account is opened,—(a) the pass book, certificate, or other similar form of receipt must be presented to the bank whenever a deposit or withdrawal is made, and (b) the depositor may at any time be required by the bank to give notice of an intended withdrawal not less than 30 days before a withdrawal is made."

National banks, state banks and trust companies are permitted to receive time deposits and to pay interest thereon. In some states, New York for example, state banks and trust companies are prohibited from the use of the term "savings" in connection with time deposits, the term being restricted in its application to deposits in savings banks only. Such state banks and trust companies may solicit savings only by the use of other terms such as, "special interest," "compound interest," "Christmas Club," or "thrift" accounts. The banking laws of the states, being not controlling as to instrumentalities of the Federal Government, may not prohibit National banks from advertising and soliciting savings accounts and employing the term "savings," when so doing, in the opinion of the counsel of the Board of Governors of the Federal Reserve System. The savings (time) deposits of National banks cannot be invested in the same manner as the deposits of savings banks, but only as prescribed by the Revised Statutes and the Federal Reserve Act. The rate of interest which National banks may pay upon time deposits or upon savings deposits shall not exceed the maximum rate authorized by law to be paid upon such deposits by State banks or trust companies organized under the laws of the State in which such National bank is located. Sec. 19 of the Federal Reserve Act empowers the Board of Governors to limit the rate of interest which member banks may pay on time deposits and savings deposits.

SAVINGS AND LOAN ASSOCIATION

Under the Home Owners Loan Act (q.v.) of 1933, provision was made for chartering of Federal Savings and Loan Associations, as compared with only State-chartered building and loan associations prior thereto. The Federal Savings and Loan Associations are under the supervision of the Federal Home Loan Bank Board, a constituent agency under the Housing and Home Finance Agency (q.v.), and must become members of the Federal Savings and Loan Insurance Corporation (q.v.), which insures individual accounts up to $5,000. As of June 30, 1947, there were 1,476 Federal Savings and Loan Associations. Operating methods and procedures are similar to those of the Building and Loan Associations (q.v.).

SAVINGS AND LOAN INSURANCE CORPORATION

See Federal Savings and Loan Insurance Corporation.

SAVINGS ASSOCIATION

See Savings and Loan Association.

SAVINGS BANK INVESTMENTS

Bonds which are eligible for investment by savings banks; a term used to indicate that a security is high-grade, since the laws relating to investments for savings banks are stringent among most states.

(See Legal Investments for Savings Banks.)

SAVINGS BANK RULES

See under Savings Banks.

SAVINGS BANKS

Banking institutions organized especially to encourage thrift among persons of small means by paying interest on savings deposited therein. Originally savings banks were regarded as semi-philanthropic institutions to provide machinery for collecting the savings of the poor, and to invest such savings in high grade investments, to the end that the accrued interest might be returned periodically to the depositors. While modern savings banks cannot be regarded in this light, one feature has always remained dominant, i. e., strict supervision of the investment of deposits as a means of protecting a class of depositors who can ill afford to lose their savings, but who, on the other hand, are generally incapable of making a wise selection of a bank.

Savings bank investments are therefore restricted by the laws of the state in which the bank is located. Generally speaking, investments are limited to (1) mortgage loans, (2) bonds of the higher investment grades, and (3) bankers' acceptances. (See Legal Investments for Savings Banks.)

The idea of a savings bank is said to have originated with Daniel Defoe, the English author, who, in 1697, suggested the organization of "Friendly Societies for Provident Habits in General." The first Friendly Society, however, was not organized until 1765, and development was slow. The name savings bank was not applied until 1810, when Reverend Henry Duncan of Ruthwell Village, Dumfrieshire, Scotland, established a small bank for his parishioners, receiving about $750 in the first year.

The first mutual savings bank established in the United States was in 1816; in fact, two were organized in that year which are still operating. The Seamen's Bank for Savings (New York City) was chartered in 1829, and the Bowery Savings Bank in New York City (the largest) was opened in 1834.

As to organization, savings banks are divided into two classes, mutual (non-stock), and stock, Mutual savings banks are organized without stock, are managed by a board of trustees which is usually a self-perpetuating body, and earnings are distributed among the depositors as dividends upon their deposits, and usually limited to 5 per cent. as a maximum. Surplus earnings are carried to the guaranty fund, and the expenses of organization are met out of an expense fund provided by the original organizers. Stock savings banks, on the other hand, are managed by a board of directors elected by the stockholders. Interest is paid to depositors at a fixed or contingent rate, and earnings above expenses and interest charges are distributed to the stockholders. Mutual savings banks predominate in the Eastern States, while the latter are the prevailing type elsewhere. In New York and New Jersey, only mutual savings banks are now permitted.

The banking law of New York State has defined a (mutual) savings bank as "a corporation authorized by the laws of this state only to receive money on deposit in such sums, to invest the same in such securities, obligations and property, and to declare, credit and pay from its earnings such dividends, as may be prescribed by law." Savings banking, however, is not confined to savings banks. In many towns, the volume of business does not warrant the establishment of more than one banking house, e. g., a National bank, state bank, or trust company. These institutions are permitted to organize "savings," "special interest," or "thrift" departments which answer the same purpose and are operated in much the same manner as savings banks.

Below is given a table showing total of savings deposits in all mutual savings banks, from 1939 to 1948:

Date	Number of Banks	(millions)
Dec. 30, 1939	551	$10,521
Dec. 31, 1940	551	10,665
Dec. 31, 1941	548	10,527
Dec. 31, 1942	546	10,662
Dec. 31, 1943	545	11,730
Dec. 30, 1944	543	13,366
Dec. 31, 1945	542	15,371
Dec. 31, 1946	541	16,583
June 30, 1947	533	17,428
Dec. 31, 1947	533	17,745
June 30, 1948	532	18,190

As of June 30, 1948, the 532 mutual savings banks of the country, had $18,190 million of deposits, of which the hundred largest banks accounted for $13,033 million. The five largest mutual savings banks on June 30, 1948 were: Bowery Savings, New York City; Philadelphia Savings Fund Society; Emigrant Industrial Savings, New York City; Dime Savings, Brooklyn; and Williamsburg Savings Bank, Brooklyn.

Savings deposits are time deposits, and the right to require notice of intention of withdrawal is granted to savings banks, varying from 10 days to 90 days in the separate states. Under ordinary conditions, however, this is rarely exercised.

A savings account is evidenced by a pass book, containing the contract between the bank and the depositor. It must be presented with each deposit and withdrawal, and to receive interest credits. It therefore shows the correct balance due to the depositor at all times (ignoring accrued interest), thereby differing from a commercial bank pass book, which is merely a memorandum of deposits, does not show the balance of the account, and is not a contract.

Savings banks are not required to keep a reserve.

The following is a set of rules and regulations of a New York City savings bank, which may be regarded as typical of all savings banks:

1. This bank will be open daily (Saturdays, Sundays and holidays excepted) for the reception of deposits and payment of drafts, from 9 a. m. to 3 p. m., also Monday evenings from 5 to 7 o'clock.

2. Depositors, at the time of making their first deposit, will be required to subscribe their names in a book kept by the bank for that purpose, agreeing to be governed by the by-laws and regulations of the institution, as they then or thereafter may exist.

3. No account will be opened with less than one dollar and thereafter deposits of one dollar and upwards to the extent allowed by law, will be received, and all receipts and payments shall be in coin, or in bankable funds.

4. All deposits and drafts must be entered in the pass book of the depositor at the time of the transaction. Money delivered to any one presenting the pass book at the bank, and entered therein, shall be deemed a good and valid payment of such money to the depositor. And no person shall have the right to demand any part of his principal or interest without producing the original book.

5. When any deposit shall be made by or in the name of any minor, the same shall be held for the exclusive right and benefit of such minor, and free from the control or lien of all other persons, except creditors, and shall be paid, together with the dividends thereon, to the person in whose name the deposit shall have been made, and the receipt or acquittance of such minor shall be a valid and sufficient release and discharge to the bank for such deposit or any part thereof.

6. When any deposit shall be made by any person in trust for another, and no other or further notice of the existence and terms of a legal and valid trust shall have been given in writing to the bank, in the event of the death of the trustee, the deposit or any part thereof, together with the dividends thereon, may be paid to the person for whom the deposit was made.

7. When a deposit shall be made by any person in the names of such depositor and another person and in form to be paid to either or the survivor of them, such deposit and any additions thereto made by either of such persons after the making thereof, shall become the property of such persons as joint tenants, and the same together with all dividends thereon shall be held for the exclusive use of such persons and may be paid to either during the life-time of both or to the survivor after the death of one of them, and such payment and the receipt or acquittance of the one to whom such payment is made shall be a valid and sufficient release and discharge to the bank for all payments made on account of such deposit prior to the receipt by the bank of notice in writing not to pay such deposit in accordance with the terms thereof.

8. Money standing in the same of a person, deceased, can be drawn only by his or her representative, legally appointed.

9. No money shall be withdrawn as a matter of right, without sixty days' previous notice to the bank in writing, of the intention to withdraw it; as a matter of indulgence, however, the officers of the bank may allow moneys to be withdrawn without such notice, on any day for the reception and payment of deposits, without waiving thereby the right of the bank to such notice and time of payment.

10. The board of trustees may discontinue interest on account of depositors, to which no deposit nor draft thereon has been made for twenty successive years.

11. The board of trustees shall by resolution order dividends to be credited to depositors on the first day of January and July in each and every year, payable to them on or after the twentieth day of said month, at such rates in conformity with law as the earnings of the bank may justify, on all sums of five dollars and upwards.

Deposits made on or before the tenth business day of January and remaining in the bank on the first day of April shall be entitled to three months' interest.

Deposits made on or before the third business day of April and remaining in the bank on the first day of July shall be entitled to three months' interest.

Deposits made on or before the tenth business day of January and remaining in the bank on the first day of July shall be entitled to six months' interest.

Deposits made on or before the tenth business day of July and remaining in the bank on the first day of October shall be entitled to three months' interest.

Deposits made on or before the tenth business day of July and remaining in the bank on the first day of January shall be entitled to six months' interest.

Deposits made on or before the third business day of October and remaining in the bank on the first day of January shall be entitled to three months' interest.

Accounts closed between quarterly periods shall be paid interest to the end of the previous quarter at the rate of the last dividend declared.

No interest will be allowed on the fractional parts of a dollar. Interest not withdrawn will be treated as a deposit.

12. The bank may refuse the deposit or close the account of any individual whenever it may be deemed expedient.

13. The board of trustees are at liberty to return the amount of all or any part of the deposits, on giving one month's previous notice of their intention to do so; all notices relating to deposits or depositors, published daily for one week, by order of the board of trustees, in one or more of the public newspapers, printed in the City of New York, shall be deemed and taken for all purposes as actual notice to each depositor.

The following information with regard to savings accounts is issued by another New York City savings bank:

Personal accounts may be opened by any person fourteen or more years of age.

Joint accounts may be opened by any two persons. These accounts may be drawn against by either party and after the death of one the balance is payable to the the survivor.

Voluntary and revocable trust accounts may be opened in the name of a person in trust for another.

Accounts may be opened by corporations, partnerships, societies, lodges and the legal representatives of estates.

An account may be opened with a deposit of $1 to $7,500.

Checks will be received for deposit, and should be drawn to the order of, or endorsed to the (Savings Bank). Checks accepted on deposit without collection charge.

No payments will be made without the depositor's pass book. If drafts are presented, they must be signed by the depositor personally, and if made payable to the order of any person other than the depositor such person must be identified to the satisfaction of the bank.

When drafts are drawn against deposits made in trust, the word "Trustee" must always be added to the signature.

Interest will be allowed from date of deposit on funds left undisturbed to the end of the quarterly period.

Interest dividends, compounded quarterly, are paid on all sums of $5 to $7,500 and upon the excess of $7,500, when such excess is accrued interest.

Interest dividends will be declared quarterly, payable on or after the 15th day of January, April, July and October, but no interest will be paid on any sum withdrawn previously to January 1st, April 1st, July 1st or October 1st, for the period which may have elapsed since the last dividend.

Banking by Mail: For the convenience of depositors, complete banking services are available by mail.

Coin Banks: Coin banks are available on loan for home saving.

Christmas and Special Purpose Clubs: Membership in Christmas and Special Purpose Clubs is available to those especially interested in accumulating funds in this way. Interest of —% per annum is paid on the

average balance of Completed Clubs. Folder giving full particulars sent on application.

Loans on Pass Books as Collateral: Depositors may borrow money by depositing their pass books as security for the loans.

Other miscellaneous services provided include: Group Savings and Payroll Savings Plans; service for the sale and redemption of U. S. Savings Bonds; Safekeeping Service for U. S. Savings Bonds and Armed Forces Terminal Leave Bonds free of charge; Savings Banks Money Orders (sold in amounts up to and including $100 at a nominal charge of 10¢ each); sale of American Express Company Travelers' Cheques; sale of Foreign Drafts; Safe Deposit Boxes; and Savings Bank Life Insurance.

Below is a financial statement of a large New York City savings bank.

STATEMENT

June 30, 1948

ASSETS

Cash on Hand and Due from Depositaries	$6,263,834.24
Time Deposit	5,750,000.00
United States Government Securities at par or book, whichever is lower	130,544,000.00
Public Utility Securities at quoted market prices	1,937,500.00
Other Securities at quoted market prices.	391,375.00
Investments in Housing Corporations	2,944,149.75
First Mortgages on Real Estate, less Reserves	86,857,959.58
Investment in Savings Banks Trust Company and Institutional Securities Corporation	1,708,000.00
Interest Due and Accrued	665,978.47
Banking House	1,900,000.00
Other Real Estate	1,047,000.00
Other Assets	50,512.90
	$240,060,309.94

LIABILITIES

Due 161,605 Depositors	$217,292,893.87
Other Liabilities	419,327.95
Surplus	22,348,088.12
	$240,060,309.94

(See Legal Investments for Savings Banks, Lost Pass Book, Pass Book, Postal Savings Banks, Savings Accounts, Time Deposits.)

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SAVINGS BONDS

See Postal Savings Bonds, United States Savings Bonds.

SAVINGS DEPOSITS

See Savings Accounts, Savings Banks.

SCALE BUYING

See Buying on a Scale.

SCALING

A method of trading in securities or commodities in which orders to buy are placed at regular intervals downward from the prevailing market price, and to sell at regular intervals upward from the prevailing market price. (See Buying on a Scale.)

SCALPER

A speculator who sells at every opportunity of making a fractional, or one or two point profit. (See Scalping.)

SCALPING

An expression indicating the realization of a small trading profit of a fraction or a point or two, especially when turns are made in quick succession. Scalping means to take advantage of any small gain.

SCANDINAVIAN MONETARY UNION

See Scandinavian Union.

SCANDINAVIAN UNION

A monetary union formed by Norway, Sweden and Denmark in 1873, at which the single gold standard, and the same monetary unit was adopted, viz., the krone. In 1905, Norway dissolved its political union with Sweden and elected its own king. (See Latin Union.)

SCHEDULE SHOWING WHEN PROCEEDS OF ITEMS WILL BECOME AVAILABLE

The availability schedule showing the time basis for crediting items put through a Federal Reserve Bank is published by each Federal Reserve Bank. The following is the schedule of the Federal Reserve Bank, New York, as revised in 1946, but eliminating reference to Saturdays because of year-round Saturday closings:

IMMEDIATE CREDIT:

*Immediate credit will be given for the following items when received within the applicable closing time:

*When received in time for presentation through clearing houses or special collection arrangements on day of receipt--

Items drawn on or payable at:
New York Clearing House Association banks;
Certain other New York City banks;
Northern New Jersey Clearing House Association banks.

*When received by 10 a.m. if separately sorted and listed--

Checks and warrants on Treasurer of the States, Washington, D. C.

*When received by 3 p.m.--

Checks on Federal Reserve Bank of New York (including Buffalo branch);
Officers' checks of other Federal Reserve Banks;
Federal Reserve Exchange Drafts.

DEFERRED CREDIT:

*Credit for other items payable in New York City,

when received within the applicable closing time, will be given two business days after receipt.

*Credit for other items payable outside of New York City, when received within the applicable closing time, will be given as specified below.

CLOSING TIME FOR DEFERRED CREDIT ITEMS:

Payable in Second Federal Reserve District:
1:30 p.m.
Items $500 and over, 2:30 p.m.

Payable in other Federal Reserve Districts:
12:30 p.m.
Items $500 and over, 2:30 p.m.

Federal Reserve Bank or Branch Cities:

*One Calendar Day after Receipt--
Items payable in:

Baltimore	Philadelphia
Boston	Pittsburgh
Buffalo	Richmond
Cleveland	

*Two Calendar Days after Receipt--
Items payable in:

Atlanta	Kansas City, Mo.
Birmingham	Louisville
Charlotte	Memphis
Chicago	Minneapolis
Cincinnati	Nashville
Detroit	Omaha
Jacksonville	St. Louis
Kansas City, Kans.	St. Paul

*Three Calendar Days after Receipt--
Items payable in:

Dallas	New Orleans
Denver	Oklahoma City
El Paso	Portland, Ore.
Helena	Salt Lake City
Houston	San Antonio
Little Rock	San Francisco
Los Angeles	Seattle

Localities Outside of Federal Reserve Bank or Branch Cities:

*Two Business Days after Receipt--
Items payable in:

Conn.	(1)Md.	(1)Pa.
Dela.	(1)Mass.	R. I.
D. C.	N. H.	Vt.
Me.	(2)N. J.	(1)Va.
	(1)N. Y.	

*Three Business Days after Receipt--
Items payable in:

(1)Ala.	(1)Ky.	(1)Ohio
Ariz.	(1)La.	(1)Okla.
(1)Ark.	(1)Mich.	(1)Ore.
(1)Calif.	(1)Minn.	S. C.
(1)Colo.	Miss.	S. D.
(1)Fla.	(1)Mo.	(1)Tenn.
(1)Ga.	(1)Mont.	(1)Texas
Idaho	(1)Neb.	(1)Utah
(1)Ill.	Nev.	(1)Wash.
Ind.	N. M.	W. Va.
Iowa	(1)N. C.	Wisc.
(1)Kansas	N. D.	Wyo.

This time schedule does not apply to drafts received from member or non-member clearing banks drawn by them on their commercial bank correspondents. Credit will be given for such drafts based on actual transit time, whether received at head office in New York City or Buffalo branch, or sent for their account direct to the Federal Reserve Bank in the district where such draft is payable.

Notes:

*Subject also to requirements as to sorting (listing separately). Credit for items not received within the applicable closing time as herein indicated for such items will be deferred for one additional day. When items for which there are different closing times are not separately sorted and listed, credit for all such items may be deferred for the longest time for which credit may be deferred for any of such items as herein provided. When the day on which credit would otherwise be given is a Sunday or a holiday (Saturdays also in view of year-round Saturday closings) for the Federal Reserve Bank of New York, credit will be given on the following business day. When delays in the collection of items occur or are anticipated because of holidays or interruptions or delays in transit, or other causes, credit may be deferred beyond the times indicated in the schedule with or without notice.

(1) Except items payable in Federal Reserve Bank or branch cities.

(2) Except items drawn on or payable at Northern New Jersey Clearing House Association banks.

In accounting for items cleared through the Federal Reserve Bank, the sending bank, at the time the Items are sorted and listed for delivery to the Federal Reserve Bank, charges an account called the Federal Reserve Bank Deferred Account. As the credits become available according to the Availability Schedule as above, the bank transfers the matured credits to its Federal Reserve Bank reserve account. The Federal Reserve Bank maintains similar accounts, Uncollected Items, and Deferred Availability Items, and will credit the member bank's reserve account or non-member bank's deposit account as the items are actually available. Daily statements are sent by the Federal Reserve Bank to the member banks and clearing non-member banks, so that the latter banks may reconcile any items that because of delays or otherwise might not have actually become available according to the Schedule.

(See Federal Reserve Check Collection System, Float.)

SCHILLING

The international currency unit of Austria. (See Foreign Money--Table 2.)

SCHOOL BONDS

A sub-classification of municipal bonds issued for the purpose of raising funds for the construction and equipment of public schools. (See Municipal Bonds.)

SCHOOL DISTRICT BONDS

Bonds issued by a school district (organized to manage and control the schools of a certain section and having taxing power) for building public schools.

SCHOOL SAVINGS BANKS

Savings banks introduced and adopted by many public schools for the purpose of inculcating habits of thrift among school children. The idea was originally conceived by J. H. Thiry who established the first savings bank system in the schools of Long Island City in 1885, having imported the idea from Belgium. Savings banks, throughout the United States, by receiving authority

from the local board of education and enlisting the co-operation of the teaching staff, have organized many permanent school savings banks departments, or junior departments.

Different plans of collecting and administering savings have been used. In some cases, the money is collected periodically by the teachers, turned over to the principal, who places it in the savings bank in the name of each depositor. Special pass books and other special forms are provided for this purpose.

Another method is to issue and sell stamps which are pasted in a book and are evidence of deposits. In other cases, the pupils make their deposits over the window, but this method requires the moral support of the teachers.

Although the school savings project in the United States had its birth in New York, the Board of Education did not develop the idea intensively until 1916 when the centennial of the establishment of the institution in Baltimore which was the first adult savings bank was celebrated.

This plan was built upon two principles: first, consistent and effective training in thrift, second, a system for the operation of the bank which would allow a large proportion of pupil participation and thereby give a practical education in ordinary business operations.

SCRAP

Waste, dismantled, and salvaged iron and steel products. Scrap is a basic raw material, since open hearth steel makers average about half scrap and half pig iron in their hearth mixtures. Electric furnaces also operate on scrap. The scrap industry, formerly chaotic, was organized by the Institute of Scrap Iron and Steel in 1928 in a businesslike manner. The industry has developed chiefly since World War I, when the demand for steel and the need for economy in its use were emphasized.

Chief sources of scrap, in addition to the steel mills themselves, are the railroads, automobile manufacturers and wreckers, shipbuilders, machine shops, etc. Left over or disused metal from these sources is collected by dealers in all parts of the country, deposited in central yards, and sorted and classified for distribution. The dealers buy from the collector for cash, but sell to the mills usually on two or three months' credit. The scrap yards, of which there are about 3,000 in the country, have been developed to a high degree of efficiency. Some have a capacity of 50,000 tons storage, with railroad sidings to accommodate 200 or 300 freight cars at a time. The metal is sorted by machinery, loaded and unloaded by electric magnets and locomotive cranes—all of which represent a relatively large investment.

One of the fundamental factors in the scrap industry is that, except for small losses due to oxidation and corrosion, reclaimed and remelted steel and iron do not deteriorate in quality. Very definite savings are effected by the use of scrap in steel manufacture. The amount of labor required to handle the slag is materially reduced, the iron loss is small and the returns in ingots is greater with less fuel consumed. Furthermore, while the gap between pig iron prices and scrap prices has been steadily narrowing in recent years the latter are still generally lower (although in times of shortage scrap has been known to be at a premium relative to pig iron). Since 1940, the price of scrap has approximately doubled, reflecting the shortage of scrap in collecting yards, and latest remedial measures include arrangements to import German scrap to alleviate the scrap shortage. Use of scrap also effects a conservation of national resources. Every ton of scrap iron and steel used in steel manufacture displaces approximately five tons of iron ore, coal, limestone and other raw materials.

(See Steel.)

SCRIP

A temporary certificate issued for exchange at a later date for money, a permanent certificate, or for whatever the scrip entitles the holder. The term is frequently given to fractional shares of stock issued during a reorganization, stock conversion, or to represent dividends not paid in cash, but deferred to a later definite or uncertain date. Scrip certificates representing fractional shares may be combined and exchanged for whole shares. In still another and probably in the original sense, this term is less frequently used to denote paper currency of fractional denominations, current during the Civil War, and known as shinplasters.

Finally, the term has been used synonymously (but incorrectly) with emergency currency, such as Clearing House Loan Certificates (q.v.).

SCRIP CERTIFICATE

A fractional share of stock. Dividends are not paid on scrip. (See Scrip.)

SCRIP DIVIDEND

A type of dividend payable in short-term promissory paper, called "scrip", in order to conserve cash at the particular dividend period. Scrip dividends are relatively rare, as most corporations prefer to defer or omit dividends entirely, if cash position does not justify payment, or to declare dividends in stock. (See Scrip, Stock Dividend.)

SEALED BID

See Award.

SEASONAL VARIATION

A statistical term, referring to the more or less regular swings of almost any series of economic data, which repeat themselves year after year, and are attributable to the influence of the changing seasons. For example, bank debits in December are normally larger than the average month of the year; egg prices in January are almost without exception higher than in May; railroad car loadings reach their annual peaks in the fall. As generally applied, the term is a misnomer, a more appropriate designation being "monthly variation," inasmuch as most series of economic statistics are reported and analyzed on a monthly basis rather than four times a year to correspond with the seasons.

The phrase "adjusted for seasonal variation" (or "adjusted for normal seasonal variation") means that, in the data so described, allowance has been made for the usual or average month-to-month change and the resulting figures are free from the normal seasonal influence. Thus, if the usual November to December trend in say car loadings, due solely to seasonal factors, is a downward change of 10 per cent., an actual decline of only five per cent. in any December would be re-

vealed as an increase of roughly five per cent., after allowance for seasonal variation.

In statistical practice, an "index of seasonal variation is usually computed for each series of data. This is stated in terms of the percentage which each of the 12 months is of the average for the year. To adjust a series for seasonal variation, the process would be merely to divide successive monthly prices by the corresponding index of seasonal variation. There are many methods of computing indexes of seasonal variation for use in adjusting historical data, one of the best known being the "link-relative method" developed by Warren M. Persons. As in the case of adjusting for Secular Trend (q.v.) the purpose is to reveal cyclical movements in business data, to aid in interpreting business cycles, transition from depression to prosperity and vice versa, etc.

Appended herewith is a table showing the normal seasonal variations for each week in the year of the business series indicated, as used in computing the New York Times Weekly Business Index. Each figure is a percentage of 100, the average for 52 weeks being 100. In the first week of January, for example, lumber production is expected to be only 78.7 per cent. of the average production for 52 weeks.

New York Times Weekly Index of Business Activity

Indices of Seasonal Variations for 1948

Week Ended	Total Loadings	Misc. Loadings	Power	Paper-board	Lumber
Jan. 3	91.1	83.6	103.6	93.0	78.7
Jan. 10	91.4	82.8	102.8	95.3	78.5
Jan. 17	90.1	82.0	102.7	97.6	79.6
Jan. 24	90.4	82.3	102.1	97.5	80.2
Jan. 31	92.0	83.9	101.9	100.3	81.0
Feb. 7	93.6	86.1	101.7	100.1	83.0
Feb. 14	94.7	88.6	101.0	98.8	85.2
Feb. 21	95.8	91.1	100.0	98.4	87.9
Feb. 28	96.6	93.3	99.2	98.8	90.7
Mar. 6	96.9	95.2	98.9	99.2	93.7
Mar. 13	96.4	96.6	98.3	99.5	97.9
Mar. 20	95.7	97.7	97.5	100.2	98.7
Mar. 27	93.9	98.8	96.7	100.2	98.2
Apr. 3	94.0	99.8	96.4	99.8	102.5
Apr. 10	96.0	102.6	96.4	99.6	104.3
Apr. 17	97.8	103.4	96.3	100.4	105.0
Apr. 24	98.3	102.5	95.8	99.8	103.9
May 1	98.2	101.4	95.6	97.3	107.0
May 8	98.5	100.9	96.3	94.3	109.3
May 15	99.9	101.9	96.2	95.7	109.0
May 22	100.6	103.3	96.0	95.0	108.2
May 29	100.4	103.9	96.9	93.1	107.5
June 5	99.5	103.8	97.5	94.5	109.2
June 12	99.7	103.7	97.9	96.7	109.2
June 19	102.1	104.5	98.3	98.4	109.5
June 26	103.7	106.0	98.5	100.3	105.7
July 3	103.6	105.0	98.8	100.4	104.9
July 10	102.7	103.8	99.4	99.5	108.0
July 17	101.7	102.4	99.6	100.5	111.3
July 24	101.1	101.1	99.5	100.3	112.0
July 31	101.4	101.0	99.9	99.6	111.7
Aug. 7	102.0	102.5	100.3	99.8	111.9
Aug. 14	103.3	104.4	100.0	100.4	112.2
Aug. 21	105.4	106.5	100.3	101.8	111.6
Aug. 28	107.4	109.6	99.9	103.8	112.0
Sept. 4	109.6	113.0	100.0	106.2	113.7
Sept. 11	111.3	115.4	100.3	107.4	112.8
Sept. 18	113.0	116.3	100.9	108.1	111.1
Sept. 25	113.7	115.5	101.4	108.8	108.7
Oct. 2	113.3	115.8	101.4	109.0	109.1
Oct. 9	112.4	118.3	101.5	108.7	111.0
Oct. 16	111.0	115.8	102.0	107.8	108.0
Oct. 23	108.9	111.6	102.2	106.0	104.0
Oct. 30	106.1	107.1	101.9	103.4	99.7
Nov. 6	103.3	103.0	102.3	100.7	96.2
Nov. 13	100.7	100.1	102.8	100.6	94.2
Nov. 20	98.5	96.5	102.9	97.6	92.1
Nov. 27	96.1	92.1	103.3	96.1	89.6
Dec. 4	93.6	88.5	103.8	96.6	86.7
Dec. 11	91.9	85.8	105.3	98.4	83.8
Dec. 18	90.5	84.6	105.7	98.5	81.0
Dec. 25	90.2	84.6	104.4	96.2	79.4

Source--New York Times.

SEASONED SECURITIES

Securities of recognized merit and of long standing, issued by corporations engaged in the production of basic staples, whose officers are skilled in operating and financial management, whose properties and net assets leave a safe equity for securities and whose earnings have been sufficiently stable to insure interest payments and dividend disbursements over a long period of time. The chief significance of this term is to indicate that such securities are subject to smaller price fluctuation range than others, and are consequently more satisfactory for investment and collateral purposes.

SEAT

A term which is a survival of the days when each broker was assigned a seat in the board room of a stock exchange. Although no actual seats are provided now-a-days for member brokers, a membership is still referred to as a "seat." The cost of "seats" varies with the demand and supply, and the activity of the market.

For price range of seats or memberships on the New York Stock Exchange, see under New York Stock Exchange.

SEATTLE STOCK EXCHANGE

An outgrowth of the former Seattle Bond and Stock Exchange organized in 1927 by the principal banks and investment banking interests in the Pacific Northwest. The new exchange floors were opened in May, 1930 with new rules and regulations adopted on March 5, 1929. Members numbered 80 on February 28, 1930. Listings were confined to securities of the Northwest. With passage of the Securities Exchange Act of 1934, requiring registration of national securities exchanges, the Seattle Stock Exchange first applied for and was granted temporary exemption and subsequently voluntarily suspended. Thus, the stock exchange currently registered in the Pacific Northwest is the Standard Stock Exchange of Spokane, Washington (see Stock Exchanges).

SECOND BANK OF THE UNITED STATES

See Bank of the United States.

SECOND-CLASS PAPER

Notes, trade acceptances and bills of exchange which are obligations of names not as well known as those classified as first class, and which are not entitled to the highest credit rating. The term is not derogatory and does not imply that the risk in purchasing this paper is unduly high, but only that the standing of the maker is somewhat inferior to that classified as first class. Paper may also fall into a third or lower class.

SECOND LIBERTY LOAN ACT

One of the World War I financing acts, approved September 24, 1917. Sec. 8 of the Second Liberty Bond Act grants authority to the Secretary of the Treasury to make deposits in such incorporated banks and trust companies as he may designate, of proceeds arising from the sale of Government securities and arising from the payment of income and excess profits taxes, in Government depositories and "war-loan accounts." Notwithstanding the further provision of this section that no reserves are required against such Government deposits, which was also provided by the First Liberty Bond Act (approved April 24, 1917), and the Third Liberty Bond Act (approved April 4, 1918), Sec. 19 of the Federal Reserve Act specifically contravenes these three war financing acts in requiring reserves against such Government deposits.

(See Government Deposits.)

SECOND MORTGAGE

A mortgage placed upon real property which is already encumbered with a first mortgage. An owner of a piece of real estate appraised at $50,000, and who has borrowed $25,000 by placing a first mortgage on it, may wish to borrow an additional $5,000 by giving a second mortgage as security, making the total indebtedness equal to $30,000. In case of failure to pay either the principal or interest, the holder of either the first or second mortgage is entitled to foreclose his mortgage in order to satisfy his claim. In case of foreclosure by the first mortgage holder and sale of the property, the holder of the second mortgage is not entitled to receive anything until the first mortgage holder has been paid in full. Since the protection offered to a second mortgage holder is less than for a first mortgage holder, lending on a second mortgage is attended with greater risk than lending on a first mortgage. The degree of risk on a second mortgage depends upon the margin between the appraised value and the total claims against the property. To compensate for the greater risk in second mortgage loans, a higher interest rate is charged.

National banks are not permitted to make second mortgage loans. State banks and trust companies in some States are permitted to do so, but with certain restrictions. In most states savings banks are prohibited from making second mortgage loans. (See Mortgage, Mortgage Loans, Second Mortgage Bonds.)

SECOND MORTGAGE BONDS

Bonds secured by a mortgage upon property which is already encumbered with an issue of first mortgage bonds. Second mortgage bonds occur most frequently among railroad and public utility issues and constitute a second lien upon the property specified in the mortgage, and the earnings of the company. Consolidated mortgage bonds, general mortgage bonds, first and consolidated mortgage bonds, first and refunding mortgage bonds, etc., are usually bonds in which a part of the security consists of a second mortgage.

(See Second Mortgage.)

SECOND OF EXCHANGE

See First of Exchange.

SECOND PREFERRED STOCK

See Preferred Stock.

SECOND TELLER

Another name for Receiving Teller (q.v.).

SECONDARY DISTRIBUTION

The sale to the public of all or part of an issue of securities which was previously the subject of primary distribution by a selling group. The secondary selling group takes over the issue from the initial selling group, usually at cost, and with a new group of houses in the syndicate, attempts to effect complete distribution.

"Secondary offerings" also refer to special offerings of fixed blocks of stocks listed on the New York Stock Exchange at fixed prices, subject to close regulation by the Exchange and the Securities and Exchange Commission, in the course of which stabilization of the price of the security may be engaged in to assure the success of the offering. Rules 490-497 of the New York Stock Exchange, and Rule X-10B-2 of the Securities and Exchange Commission, govern such offerings in detail. The Exchange states that it is not the purpose of its rules allowing special offerings to supersede the auction market or supplant approved secondary distributions, but to provide means for the handling of blocks of listed securities through the facilities of the Exchange where such blocks cannot be readily absorbed in the regular market within a reasonable time and at a reasonable price. (See Syndicate.)

SECONDARY LIABILITY

Contingent or indirect liability. (See Contingent Liabilities.)

SECONDARY RESERVE

Those assets of a bank, other than cash, which are immediately convertible into cash without sacrifice of the principal amount invested. Call loans, short-term Government and Municipal securities, bankers acceptances, prime name commercial paper, balances due from banks, exchanges for clearing house, demand loans, and time loans eligible for rediscount are immediately available assets. Since convertibility can be obtained on short notice, these assets constitute a secondary reserve for use in case of emergency. Under Sec. 10 (a) and 10 (b) of the Federal Reserve Act, Federal Reserve Banks may make advances to any member bank or groups of five or more member banks on acceptable assets or security satisfactory to the Federal Reserve Bank, thus increasing the availability of funds to a member bank in times of emergency. Corporate bonds were advocated for the secondary reserve in the late '20s, but the collapse of bond values in the period 1929-1932 proved the limitations of corporate bonds for such purposes.

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SECRETARY OF THE TREASURY

One of the cabinet officers. The Secretary of the Treasury has general supervision, management, and control of the Treasury Department and of the bureaus under that department, which include The Mint, the Comptroller of the Currency, the Bureau of Engraving and Printing, the Fiscal Service (Bureau of Accounts and the Treasurer of the United States), the Commissioner of Internal Revenue, and the Director of Tax Research. Some of his specific powers are: (1) to keep the various forms of currency of the United States on a parity with one another; (2) to direct the engraving of plates and dies for Federal Reserve notes; (3) to approve the appointment of National bank examiners by the Comptroller of the Currency; (4) to direct the deposit of Government funds; (5) to direct the issue, redemption, and retirement of Government obligations, and to determine rates of interest on such obligations; (6) to approve form of circulating notes of Federal Reserve banks; (7) to confer with Congress and the Director of the Budget on matters pertaining to taxes and expenditures.

Under the monetary legislation passed by Congress in 1933 and subsequent years, the Secretary of the Treasury and the President were delegated many powers over gold, silver and monetary matters. The Secretary of the Treasury continues to have active buying and selling functions in connection with the silver buying program (see Silver, Silver Purchase Act of 1934). Policies of the Treasury on interest rates and terms of new Government securities, in conjunction with the Board of Governors of the Federal Reserve System, are also major determinants in the course of money rates. The Secretary of the Treasury is also chairman of the National Advisory Council on International Monetary and Financial Problems (q.v.), the policy-making body recommending policies to the President to guide representatives of the United States on the International Monetary Fund (q.v.) and International Bank for Reconstruction and Development (q.v.).

SECULAR TREND

Long-time, or normal trend. A statistical term denoting the smooth, regular, long-term movement of a series of data arranged in chronological order. Thus, the sales volume of a business taken over a period of years will usually show a fairly regular growth. The same is true of population, production of basic minerals, number of automobile registrations, etc. In some instances, this rate of growth or secular trend may be negative (declining), as in the case of interest rates in the United States over the last half century, or the production of lumber which has been trending slightly downward for many years. However, most series of data have upward secular trends, and the rate of growth is usually spoken of as so many pounds, tons, yards, bushels, etc. per year. Computation of this annual increment (or decrement) is fundamental in analysis of business cycles and in business forecasting. For example, once having established the secular trend of electric power output over a period of years, by projecting into the future at the same rate of growth, the trend value for some later date can be estimated. This trend value is taken to be "normal" for that time; in other words, it is considered the level that would have been recorded for any given series if all cyclical, seasonal and random forces could be eliminated, leaving only the effect of normal growth. The concept of a normal value for any series at a given time is useful primarily as a base or reference point in judging the effects of other economic elements than the growth factor. The phrase "corrected for secular trend", frequently encountered in connection with business statistics, means that the data presented have been adjusted to allow for computed long-term growth or secular trend.

SECURED BILLS

Documentary bills of exchange; bills of exchange which are accompanied by a bill of lading giving title to the merchandise specified therein. The term is also applied to notes, acceptances or bills of exchange which are secured by bonds, stocks, warehouse receipts, short-term paper, or other security.

SECURED CREDITOR

A creditor who holds some form of collateral or legal right to claim certain assets of the person, firm, or corporation to which a loan or advance has been made, or to whom goods have been sold. Thus, a mortgagee, mortgage bond holder, or bank which lends against any kind of collateral, at least equal in value to the face of the loan, is a secured creditor.

A general depositor in a bank is an unsecured creditor, except in the case of the Government, or civil division thereof (state, county, city) which require a depository collateral for such deposits.

(See Liabilities.)

SECURITIES

A general term applied to that class of investments represented by engraved, printed, or written documents evidencing ownership or creditorship in a corporation or other property. The term therefore includes bonds, stocks, mortgages, coupons, scrip, etc., of every kind.

As defined by the Securities Exchange Act of 1934, the term security "means any note, stock, treasury stock, bond, debenture, certificate of interest or participation in any profit-sharing agreement or in any oil, or other mineral royalty or lease, any collateral-trust certificate, pre-organization certificate or subscription, transferable share, investment contract, voting-trust certificate, certificate of deposit, for a security, or in general, any instrument commonly known as a "security"; or any certificate of interest or participation in, temporary or interim certificate for, receipt for, or warrant or right to subscribe to or purchase, any of the foregoing; but shall not include currency or any note, draft, bill of exchange, or banker's acceptance which has a maturity at the time of issuance of not exceeding nine months, exclusive of days of grace, or any renewal thereof the maturity of which is likewise limited."

Securities furnish one of the most important bases of bank credit.

SECURITIES ACT OF 1933

An act, approved May 27, 1933, and subsequently amended, which among other things:

(1) Required filing originally with the Federal Trade Commission and later with the Securities and Exchange Commission (which was organized July 2, 1934 pursuant to the Securities Exchange Act of 1934) and for transmission to prospective investors the fullest possible information concerning new security issues sold in interstate commerce or through the mails;

(2) Provided for the filing with the commission of sworn statements including, among other things, all commission or discounts paid or to be paid, directly or indirectly, by the issuer to the underwriter, a full description of all factors surrounding the physical issuance of the securities, names of directors and officers of the issuing company, names of holders of 10 per cent. or more of prior securities issued by the company, a detailed description of the business and financial condition of the company and the salaries of its officers;

(3) Provided for the lapse of twenty days after the filing of the sworn statement, before the projected security could be sold or even promoted; and

(4) Carried penalties for violation of the act.

The Securities Act of 1933 covers two fields of regulation. First, it regulates public offerings of new securities for the purpose of making available to prospective investors such information as they may reasonably require to enable them to act intelligently. For this purpose it creates two new instruments, one designated a "registration statement" and the other a "prospectus." The former is a compendium of information, which must be filed in Washington, relating to the issuer of the security and the flotation of the issue. The latter is a less detailed summary which must be furnished to each purchaser of any part of the issue. Truthfulness in the registration statement and the prospectus is enforced by civil liability and criminal penalty. The second field of regulation of the Securities Act of 1933 covers the sale of all securities whether new or old, through improper or fraudulent means. The purpose is to prevent such sales not only by civil liability and criminal penalty, but also by official investigation and injunction.

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SECURITIES AND EXCHANGE COMMISSION

A commission created by the Securities Exchange Act of 1934 (q.v.) to regulate national (stock) exchanges, to carry out the provisions of this act and to take over from the Federal Trade Commission the administration of the Securities Act of 1933. In addition to these acts, the Commission administers the Trust Indebture Act of 1939; Public Utility Holding Company Act of 1935; Investment Company Act of 1940; the Investment Advisers Act of 1940; and also participates in corporate reorganizations under Chapter X of the National Bankruptcy Act by advising with respect to feasibility and fairness of reorganization plans.

The Commission's functions are quasi-judicial in nature. Members are appointed by the President, with the advice and consent of the Senate, and number five, not more than three of whom may be members of the same political party, and one of whom is elected Chairman annually. Term of office is five years.

SECURITIES COMPANY

Holding company. A company organized to hold the shares of its subsidiary companies. (See Holding Company.) The term also sometimes applies to an investment house or company which deals in securities at retail. Among banks, the Security Affiliate (q.v.) prior to the Banking Act of 1933 engaged in underwriting and dealing in securities without restriction. The Banking Act of 1933 required the "divorcement" of such security affiliates one year after passage of the Act on June 16, 1933.

SECURITIES EXCHANGE ACT OF 1934

An act, passed June 1, 1934, and approved on June 6, 1934, which, among other things:

(1) Provided for the regulation of securities exchanges and over-the-counter markets operating in interstate and foreign commerce and through the mails and the prevention of inequitable and unfair practices on such exchanges and markets;

(2) Granted far-reaching control over the exchanges to the Federal Government and undertook to curb excessive speculation and unethical practices and protect investors;

(3) Established a bi-partisan Securities and Exchange Commission of five members, appointed by the President with Senate consent, to administer the act and also to take over from the Federal Trade Commission the administration of the Securities Act of 1933;

(4) Required the licensing of all stock exchanges and the registration of all listed securities with the new commission, the registration statement to contain ten categories of facts, set out in the act, and any further financial statements which the commission might deem necessary. Corporations with registered securities to be required in addition to file periodical reports certified by independent public accountants;

(5) Defined the functions of dealers, brokers and specialists, banned manipulative practices to establish artificial prices for securities, and provided penalties of $10,000 or two years' imprisonment, or both, for those willfully and knowingly violating its provisions or any rule or regulation made under this act;

(6) The maximum penalty where an exchange is the violator is $500,000.

(7) Provided for the regulation of margins and broker's credit by the commission and the Board of Governors of the Federal Reserve System, and that the Board of Governors should prescribe rules and regulations with respect to the amount of credit that may be initially extended and subsequently maintained on any security (other than an exempted security) registered on a national securities exchange;

(8) Stipulated that for the initial extension of credit such rules and regulations should be based upon the following standard: An amount not greater than whichever is the higher of—(1) 55 per centum of the current market price of the security, or (2) 100 per centum of the lowest market price of the security during the preceding thirty-six calendar months, but not more than 75 per centum of the current market price;

(9) Empowered the Board of Governors of the Federal Reserve System to raise or lower the margin requirements for the initial extension or maintenance of

credit when it deemed such action necessary;
(10) Granted to any person aggrieved by an order of the new commission the right of court review in the Circuit Court of Appeals of the United States;
(11) Carried several modifying amendments to the Securities Act of 1933.

SECURITIES LEDGER

A ledger in which transactions in bonds or other securities are recorded. Accounts are classified alphabetically, according to the name of the security. The information which a typical securities ledger contains is shown by the headings of the columns in the form below:

DR.	CR.
Date of purchase.	Date of sale.
Descriptive details.	Descriptive details.
Par value.	Par value.
Unit purchasing price.	Proceeds of sale.
Commission.	Commission.
Total cost.	Interest accrued.
Accrued interest paid.	General ledger account Cr.
Balance.	Interest credited.
(a) Par	Profit or loss.
(b) Money	Disposition.
Trading value.	Remarks.
Book value.	
Remarks.	

SECURITIES REGULATIONS

See Comptroller's Regulation, Investment Securities Regulations, Legal Investments for Savings Banks, Legal Investments for Trust Funds, Life Insurance Company Investments.

SECURITY

A pledge of property or of good faith for the payment of a debt.

There are two classes of security (1) collateral or property security, and (2) personal security. By collateral security is meant any property, negotiable security, or documentary evidence of a claim against, or ownership in property, conveying title to the holder as a pledge for the repayment of money lent, or as guarantee for the performance of a contract.

By personal security is meant the guaranty of the payment of money by one person for another, whose credit standing is not sufficient to borrow on his single name. In personal security there is no pledge of property, but simply the signature (indorsement, guaranty, or surety) of some person having financial responsibility. Personal security is only valuable, therefore, where the moral risk is high. (See Guaranty, Surety.)

While the various banking laws permit banks to make loans without security with certain restrictions, in practice few commercial loans are unsecured. All other loans are usually secured by collateral which, at prevailing market prices, has a value in excess of the amount of the loan. Loans by banks on listed securities are subject to the margin requirements required by Regulation U of the Board of Governors of the Federal Reserve System, namely 75% effective from February 1, 1947 (for the period January 21, 1946 to January 31, 1947, margin required was 100%). Mortgage loans secured by real estate extended by National banks may not exceed 50% of the appraised value, for a term of five years, although 10-year mortgage loans, on a basis of 60% of appraised value, are also permitted if amortized at least 40% by maturity.

The most usual types of security for bank loans are bonds, stocks, notes, trade acceptances, bank acceptances, bills of lading, warehouse receipts, certificates of deposit, mortgages on real estate, chattel mortgages, savings banks' passbooks, assigned book accounts, assigned syndicate agreements, and trust receipts (See Hypothecate, Rehypothecate, Securities.)

SECURITY AFFILIATE

The term applied to the affiliated securities companies of commercial banks which prior to the Banking Act of 1933, engaged in a general securities business, including underwriting, purchasing and selling of securities, both as dealers and brokers.

Forerunner of the security affiliates was the First Security Co., organized by the First National Bank of the City of New York in 1908, when it was found that nothing in the National banking laws prohibited the formation and operation of such affiliates. Greatest popularity of security affiliates developed in the 1920s, when leading banks organized such companies in order to participate in the then highly profitable securities business. The depositors of the bank were generally utilized as a primary line of customers by the security affiliate.

With collapse of the security markets following 1929, many of the security affiliates became a drain on their parent banks, and in some cases, such as that of the Bank of United States (q.v.) (New York), which closed its doors in December, 1930, proved fatal. Accordingly, the Banking Act of 1933, passed June 16, 1933, required that within one year after passage of the Act, security affiliates shall be divorced from banks. It had been the general practice to have each share of bank stock carry with it a proportionate interest in the security affiliate by trusteeing the security affiliate's stock for the benefit of the bank stockholders.

SECURITY ANALYSIS

By security analysis is meant a dissection of the affairs of individual companies—nature of the business, position in the industry, quality, demand for, and diversity of products, capability of management, financial condition, capital structure, record of past earnings in relation to return on sales and investment, current and prospective earnings, stability of earnings, book value, yield, price-earnings relation, and developments within the company and industry. (See Investment Speculation.)

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Jordan, D. F.: Jordan on Investments (rev. ed.), 1941.
Prime, J. H.: Investment Analysis, 1946.

SECURITY LOANS

Loans secured by securities collateral. Loans by banks on listed securities for the purpose of carrying securities are subject to regulation by Regulation U of the Board of Governors of the Federal Reserve System, which requires the same margin requirements as for brokers' loans to customers under Regulation T (currently, 75% margin, effective since February 1, 1947).

In the period January 21, 1946 to January 31, 1947, 100% margin was required.

Because of such high margin requirements, and lessened speculative interest in security markets, security loans have not been in recent years the problem they were in 1928 and 1929 in siphoning off bank credit into speculative channels. Effective power to curb the volume of security loans is vested in the Board of Governors of the Federal Reserve System through Sec. 11 (m) of the Federal Reserve Act, which provides that upon the affirmative vote of not less than 6 of its members, the Board of Governors shall have power to fix from time to time for each Federal Reserve District the percentage of individual bank capital and surplus which may be represented by loans secured by stock or bond collateral made by a member bank within the district. No such loan shall be made by any such bank to any person in an amount in excess of 10% of the unimpaired capital and surplus of the bank. Also, brokers' loans by other than banking lenders have been practically eliminated by the Banking Act of 1933 and the Securities Exchange Act of 1934.

(See Brokers' Loans.)

SEIGNIORAGE

Technically, the charge made by a government for minting standard bullion, but popularly this term means the profit made by the Government in coining subsidiary (i.e., non-standard) coins and is represented by the difference between the bullion or metal price and the nominal statutory value of the coin. At times the United States Government has been able to purchase the weight of silver in a dollar for as low as 24 1/4 cents. Since silver is not entitled to free coinage, but is coined for Government account only, the Government makes a profit of the difference. This profit is seigniorage, and is accounted in the Treasury statements as a miscellaneous receipt. The profit made in coining nickel and bronze coins is also included in seigniorage receipts. The term is a survival of the middle ages when kings (seigneurs) made a charge for minting coins.

Among the leading commercial nations no seigniorage charge was made in the coinage of gold coins when such gold coinage was permitted. Seigniorage should be distinguished from Brassage (q.v.). (See Coinage, Mint.)

SELF-CHECK

A check deposited for credit or presented for payment at the bank on which it is drawn, i. e., a home debit. When deposited for credit, a self-check involves a credit to the last indorser's account and a debit to the drawer's account. Obviously, a self-check does not pass through the clearing house.

SELF-LIQUIDATING LOAN

A short term commercial loan, so-called because automatically discharged through the proceeds of sale of the merchandise which it finances.

(See Eligible Paper).

SELLER'S OPTION

See Methods of Trading.

SELLER'S 30

When the seller contracts to deliver the securities sold thirty days after the date of sale. The purchaser pays on delivery and for accrued interest on bonds beginning with the date of delivery. (See Methods of Trading.)

SELLING AGAINST THE BOX

A term applied to selling stocks owned without relinquishing ownership of the certificate deposited in a safe deposit box. That is, an owner of stocks may sell stock that he owns without delivering the certificates to the broker. Thus, he is technically "short" in his brokerage account, through in reality he is not. Such a sale offers a method of protecting assets in a declining market. After sales have been consummated, the stocks may be repurchased, presumably at a profit, and the original position is maintained. If the price rises, the owner may deliver his stocks from his strong box. Another advantage of selling against the box is that the source of the liquidation is not disclosed, since the original owner's name appears on the transfer books.

SELLING CLIMAX

A phrase used by stock market technical students to indicate the end of a wave of heavy short selling and necessitous liquidation of impaired margin accounts. Such a situation tends to build up a climax, i. e., a termination of the sharp selling movement rather quickly, as a result of which the market is placed in a position to respond to an automatic rally. A selling climax terminates a period of heavy selling with rapid price declines. A market may decline slowly over a period of time, as a result of important liquidation, however, without developing a selling climax.

SELLING FLAT

See Flat.

SELLING ON A SCALE

See Buying on a Scale, Scaling.

SELLING ON BALANCE

See Buying on Balance.

SELLING ORDER

See Orders.

SELLING OUT

An expression to denote the exercise of the legal right accorded a broker to close out an account of a customer who fails to furnish additional margin when demanded, or of a bank to close out a broker's loan, for the same reason. An account or loan is sold out in a declining market in order to protect the lender from loss which might accrue due to the decline in the value of the collateral below the face of the loan. Loans are usually sold out at or near the Exhaust Price (q.v.). However, most brokers advise customers to maintain more than adequate credit balances, and usually notify customers informally of the necessity for increasing credit balances lest the account become a restricted account under Regulation T (see Margin Buying).

SELLING SHORT

See Short Sale.

SELLING STOP ORDER

See Stop Order.

SEMI-ANNUAL INTEREST

Interest which is payable twice a year. The interest upon the majority of bonds and mortgages is payable semi-annually. The heaviest interest dates are January 1st and July 1st. Interest dates occur most frequently on the 1st and 15th of the month. (See Quarterly Disbursements.)

SEMI-MUNICIPAL BONDS

Bonds which are not necessarily the obligation of all the tax payers of the issuing municipality, but which are obligations of such tax payers as secure the benefit of the improvements constructed from the proceeds; thus, district drainage, irrigation or reclamation bonds, levee district bonds, and sometimes street-paving bonds belong to this class. In purchasing municipal bonds investors should inquire whether they are obligations of all the tax payers of the issuing civil division, or only a part of them. Semi-municipal bonds are not entitled to quite as high a rating as Municipal Bonds (q.v.).

SEN

A bronze coin of Japan, equivalent to 1/100th of a yen. Following World War II, and with the military government of Japan by the American military government, foreign exchange transactions and foreign trade are conducted under regulation.

SENIOR BONDS

Bonds which have a claim upon the assets and earnings of a corporation prior to other bonds. For example, first mortgage bonds are senior to second mortgage bonds, and all mortgage bonds are senior to the debentures of the same corporation. The term senior is used as an antonym of junior, and indicates in a general way, that the securities have first claim upon assets and earnings.

When a corporation is capitalized by means of stocks or bonds, the bonds are the senior obligations; when capitalized without bonds, the preferred stock is referred to as the senior issue and the common stock as the junior issue.

SENIOR ISSUE

See Senior Bonds.

SENIOR LIEN

See Lien.

SENIOR STOCK

See Senior Bonds.

SERIAL BONDS

A term which refers to a classification of bonds according to method of retirement without reissue. A single issue of bonds may be retired in their entirety on a single maturity date, or in installments. Serial bonds are those which are retired by the latter method, a certain portion maturing at different dates related by regular intervals. For example, a $500,000 issue of bonds dated July 1, 1940, may be retired in installments, the first $100,000 to mature July 1, 1945, and an installment of $100,000 each subsequent five years thereafter.

Serial bonds are issued where there is no intention of refunding and have a purpose similar to that of sinking fund bonds, i. e., systematic provision for cancelling debt. While the entire issue of serial bonds bears the same rate, the yield upon the various installments is made to differ by sale at varying prices, depending upon the term. The advantage of serial bonds from the standpoint of the issuer is that when interest rates are high, short term bonds are preferred and since the term of serial bonds is usually short—at least for the earlier installments—they command a better market than long term bonds of the sinking fund variety. Contrasted with the sinking fund method of providing systematic cancellation, serial bonds shorten the term over which the money is borrowed and prevent mismanagement of the sinking fund. Serial bond issues are largely confined to Municipals (q.v.).

SET (OF BILLS)

See First of Exchange.

SET OF EXCHANGE

See Bills in a Set, First of Exchange.

SETTLED PRODUCTION

A term which refers to the steady or even rate of flow of an oil well, indicative of large reserve supplies.

SETTLEMENT

This term has three applications.

(1) In general, the striking of a balance between two or more parties having mutual dealings with one another and the payment of the debit balance by the debtor (debtors) to the creditor (creditors).

(2) The striking of balances among members of a clearing house association. (See Clearing House.)

(3) The process by which purchases and sales of securities among brokers are determined and the balances paid off at the stock exchange clearing house; or by which inter-broker, non-clearing house securities transactions or produce exchange transactions are paid off. (See Methods of Trading, New York Stock Exchange Clearing House, Settlement Days.)

SETTLEMENT CLERK

In banking practice, the name given to the clerk who receives packages of checks delivered from each presenting bank and determines the total amount of checks so presented at the clearing house each day. He is the representative of the bank at the clearing house and reports to the clearing house manager the total of checks presented by and against his bank, leading to the determination of the debit or credit balance. (See Clearing House.)

SETTLEMENT DAYS

On the London Stock Exchange settlements of security transactions are regularly made twice a month, one about the middle, and the second at the end of the month. Transactions "for cash" are settled by immediate payment, regardless of the regular settling day.

Each settlement requires three days; the first is known as contango day (also continuation, carrying over, or making-up day); the second is name or ticket day; the third, pay day, i. e., settling day proper. All transactions, except for cash, occurring between settlement days must be settled at the next settlement period, i.e.,

paid for and delivered in accordance with the brokers' contracts.

The advantage of the periodic settlement as compared with the daily settlements made in America, is the saving of time to brokers in making deliveries and payments.

SETTLOR

Another name for a trustor, donor, or creator. One who creates a voluntary trust; i. e., one who "settles" an income, or other benefit, on a beneficiary. (See Living Trust, Trusts.)

SEWER BONDS

A sub-classification of municipal bonds, according to purpose. Municipal or semi-municipal bonds, the proceeds of which are used in the construction of sewers. (See Municipal Bonds.)

SHADE

An expression which denotes a slight concession in prices.

SHADING

See Shade.

SHAHI

A minor coin of Iran, equivalent formerly to 1/20th of a silver kran, the former international currency unit. Present international currency unit is the rial, consisting of 100 dinars.

SHAKING OUT

An expression to denote the process of elimination of speculators with thin margins or inadequate capital from the market, caused by a decline in securities or commodities which stimulates short selling and touching off of Stop Loss Orders (q.v.) on the way down, thus further adding to the supply. At the conclusion of a "shake-out", stocks are said to pass into stronger hands, capable of maintaining positions. With the high margin requirements for listed securities of recent years (75% from July 5, 1945 to January 20, 1946; 100% from January 21, 1946 to January 31, 1947; and 75% since February 1, 1947), shoestring margin buying has been at a minimum in view of the cash resources required. (See Margin Buying.)

SHARE

In the United States this term is synonymous with stock, or share of stock, but is much less common in occurrence. In England and Canada the term share is used almost exclusively as the equivalent for the American stock, and the term stock is reserved to denote Government bonds.

SHARE CAPITAL

That part of the capital of a corporation which is represented by its outstanding shares of stock as distinguished from its bonds and floating debt. The latter may be called "Loan Capital."

SHAREHOLDER

See Stockholder.

SHARE-TENANT

A farmer who owns no land, but who produces crops on a share basis, i. e., percentage of the crop, on another's land. The share-tenant thus exchanges his labor for a share (frequently one-half to two-thirds) of the product raised on the landowner's land.

The Bankhead-Jones Farm Tenant Act of 1937, as amended by the Farmers Home Administration Act of 1946, provides a farm ownership loan program whereby 40-year loans not exceeding $12,000 are made available to tenants, sharecroppers, farm laborers and veterans. (See Farmers Home Administration.)

SHARES WITHOUT PAR VALUE

See Without Par Value.

SHEARED

See Fleece.

SHELTERING TRUSTS

A title sometimes appropriately given to a trust created to provide an income for the support of a wife, or support and education of children, and at the same time "shelter" them from the dangers of their own inexperience, the cupidity of security salesmen, and the errors of incompetent advisers. Also known as Spendthrift Trusts. (See Living Trust, Trusts.)

SHERMAN ANTI-TRUST ACT

An act passed on July 2, 1890 the object of which was to prevent restraint or monopoly of interstate commerce, by trusts or other means. Excepting the Interstate Commerce Act of 1887, it was the first Federal law laying restrictions on certain forms of corporate organization. The law stated: "Every contract, combination in the form of trust or otherwise, or conspiracy, in restraint of trade or commerce among the several states, or with foreign nations, is hereby declared to be illegal." The courts interpreted the law with a "rule of reason", and required the dissolution of large business organizations whether in the trust form, holding company or other form, only when an absence of competition was proved. Accordingly, in 1914 the Clayton Anti-Trust Act and the Federal Trade Commission Act were passed to make anti-trust legislation more effective, the first by penalizing practices which had the effect of restraining competition or tending to foster monopolistic practices, and the second, by penalizing unfair methods of competition or trade practices. (See Clayton Act, Federal Trade Commission.)

SHERMAN NOTES

Same as Treasury Notes of 1890, (q. v.).

SHERMAN SILVER-PURCHASE ACT

An act passed July 14, 1890, as a substitute for the Bland-Allison Act repealed on the same day. This act directed the Secretary of the Treasury to purchase monthly 4,500,000 ounces of fine silver at the market price, payment to be made in treasury notes. These notes were legal tender and made redeemable in gold or silver coin by the Secretary of the Treasury at the discretion of the holder. On account of the piling up of over-valued silver dollars in the Treasury as a result of the Bland-Allison Act and the Sherman Silver-Purchase Act, together with a decline in the gold reserve through gold exports at this time, and the fact that banks called for redemption of the Treasury Notes in gold, a strain was put upon public confidence as to the ability of the Government to meet its paper currency in

gold. Combined with these circumstances, a panic occurred in the London silver market in 1893 which brought the market ratio between silver and gold to about 31 to 1 as compared with a mint ratio of 15.988+ to 1. At current market prices the silver dollar was then worth about 50 cents in gold. Due to the continued demands made upon the Treasury for redemption of Treasury Notes of 1890 and greenbacks in gold, it became evident that the continued purchase of silver, leading to an increased circulation of over-valued silver dollars, would soon seriously embarrass the Treasury Department. Accordingly Congress repealed the purchasing clause of this act on Nov. 1, 1893.

SHIFTING LOANS

An expression used in the financial district to indicate the process of seeking other lending banks for accommodation, when banks call upon broker-borrowers to pay up their loans. (See Call Money Market.)

SHILLING

A silver English coin, popularly known as a "bob", equal to 1/20 of the pound and to 12 pence, and equivalent to about 20 cents in United States money.

(See English Money Table, Foreign Moneys—table 2.)

SHINPLASTERS

A popular name given to fractional paper currency issued during the Civil War. The term was also applied to similar currency issued because of a shortage of metallic money after the War of 1812.

SHIPPER'S LOAD AND COUNT

A clause sometimes used in a bill of lading for the purpose of limiting the carrier's liability. (See Bill of Lading.)

SHIPPING DOCUMENTS

A general term given to the papers which may accompany a domestic or foreign bill of exchange. A bill of exchange supported by shipping papers is known as a documentary bill. In domestic transactions the minimum shipping documents consist of the bill of lading and seller's invoice. In foreign bills of exchange the minimum documents consist of the ocean bill of lading, marine insurance certificate, and seller's invoice.

Other documents which may accompany a foreign bill of exchange, and which vary according to the agreement between buyer and seller, the laws of the nations concerned, etc. are:

Consular invoice.
Certificate of analysis.
Certificate of inspection and weight.
Certificate of origin.
Warehouse receipt.
Dock receipt.
War risk insurance certificate.

SHOESTRING MARGIN

A thin, inadequate margin. Speculators with small, precarious margins are said to be "trading on a shoestring."

SHORT

See Short Sale.

SHORT ACCOUNT

The aggregate of securities which have been sold short, i. e., for the account of short sellers. The size of the short account is sometimes referred to by financial reviewers as bearing upon the technical position of the market.

For tabulation of the aggregate Short Account, see Short Sale.

SHORT BILL

Bills of exchange drawn by banks or commercial interests, but usually documentary and payable from 1 to 30 days after presentation, as distinguished from long bills which are those payable 90 or more days after sight. Some authors give 60 days as the dividing line between long and short bills. (See Foreign Bills of Exchange.)

SHORT COVERING

The purchase of stock (or commodities) by a short seller to close or complete the transaction. Since every short sale involves borrowing, a purchase must be made in order to fulfill the contract and permit the return of the borrowed stock (or commodity contract). (See Short Sale.)

SHORT INTEREST

The aggregate of securities (or commodities) which have been sold short and not yet "covered"; practically the same as Short Account (q. v.).

For tabulation of the Short Interest in recent years, see Short Sale.

SHORT OF THE MARKET

One is said to be short of the market when he has sold securities (or commodities) short and has not yet covered. (See Short Sale.)

SHORT RATE

A term used in connection with fire insurance premiums indicating a rate based on a period less than one year. Insurance rates are based on a year period and the short rate is more than proportional to the yearly rate.

SHORT SALE

The sale of a security or commodity not owned or not in one's possession. Ordinarily an offer to sell presumes ownership by the seller of the thing to be sold. In a short sale, however, selling precedes buying, the ordinary process being reversed. The short seller is a Bear (q.v.) who believes that a security (or commodity), or the entire market is due for a decline. He therefore sells in anticipation of a decline in values, with the expectation of buying (covering) when the price has fallen.

The phrase "short selling" is, strictly speaking, a misnomer. The man who makes a short sale does not sell your stock, or my stock, or anybody's stock, he does not actually sell any stock. What he does is to make a contract to deliver a specified quantity of stock at some future date. In order to carry out that contract he must at some time buy the quantity of stock he has agreed to deliver. It is more convenient, because briefer, to say "Jones sold 100 Steel short" than to say "Jones contracted to deliver 100 shares of Steel at 2.15 p.m. two days later."

There are two legally recognized forms of short selling on the exchanges—first, selling for future delivery, and second, selling for immediate delivery. Selling for

future delivery is the prevailing form on the commodity exchanges. It is called "trading in futures." Selling for immediate delivery is the prevailing form on the stock exchanges.

Short selling is not peculiar to the stock or commodity markets. Contracts for buildings, bridges, roads, in which the price is named in advance of the letting of the contract is a short sale. The contractor sells a completed product before construction begins. Like stock and commodities speculation, such a short sale is possible and profitable only because the contractor has special knowledge of the different elements of cost and can estimate cost of materials and labor required to achieve the results specified in the contract, with a small percentage of error.

In a short sale of securities, the speculator puts up margin just as in the case of a margin purchase, to the same extent (75% effective February 1, 1947). When the order is executed, since he does not possess the stock sold, it must be borrowed. The short seller is not entitled to interest upon proceeds of sale of securities sold short and must pay the Federal taxes necessary to be paid in borrowing the stock by the broker; any interest charge arising from the premium at which the stock might have to be borrowed; commission and taxes for selling; and any dividends payable on the stock during the duration of the short transaction. When the short seller "covers", commission is also charged on the purchase. Interest is not charged in short-selling transactions. The premiums charged might recur from time to time, depending on the life of the short transaction.

There have been several attempts to prevent short selling by legislation, on the grounds of illegality. In 1830 a law was passed preventing short sales, but it was repealed in 1858. Short selling, moreover, has been upheld in the courts, and the stock exchange bases its stand as to the legality of short selling on several decisions. In Bibb vs. Allen (149 U. S., 481) the Supreme Court of the United States said: "It is held settled that contracts for the future delivery of merchandise or perishable property are not void whether such property is in existence in the hands of the seller or to be subsequently acquired." In the case of Hurd vs. Taylor (181. N. Y., 231) the Court of Appeals of New York said: "The purchase of stocks through a broker, though the party ordering such purchase does not intend to hold the stocks as an investment, but expects the broker to carry them for him, with the design on the part of the purchaser to sell the stocks when their market value has enhanced, is, however speculative, entirely legal. Equally so is a 'short' sale where the seller has not the stock he assumes to sell, but borrows it and expects to replace it when the market value has declined." In the case of Irwin vs. Williar (110 U. S., 499) the U. S. Supreme Court said in part: "A person may make a contract for the sale of personal property which the vendor does not own or possess, but expects to obtain by purchase or otherwise, which is binding if an actual transfer of property is contemplated." The Stock Exchange rules upholding short selling were sustained by the New York Supreme Court in the case of Cohen vs. Budd (52 Misc., 217), which held that "stock exchanges have the power to enact such rules for the government of their affairs as are necessary to carry out their purpose when not contrary to the law of the land."

Short selling has been challenged on the grounds that it is uneconomic and unethical, that it is sheer gambling and an unfair attempt to depress the value of other persons' holdings. Most economists and business leaders believe that short selling has a legitimate function. Its legitimacy is unquestioned in the case of building contracts where the price is stated before construction begins. In the commodity and security markets it acts as a check on undue optimism, thereby counteracting the tendency to excessive speculation in a bull market, and correspondingly supplies a sustaining force in a heavily declining market. It thus prevents extremes of advance, and decline.

Short selling is usually participated in only by professionals, but it is erroneous to believe that short selling is more profitable than buying for the long account. There are dangers in short selling that do not exist in the purchase of real securities. In case of a shortage in the floating supply of securities which can be borrowed, a premium may be exacted by the lenders from the borrowers. This always causes a rise in the security lending at a premium. Where a stock is closely held, it is not impossible for the shorts to sell more stock than is available. In this case, a corner exists so that the owners of stock can charge the short sellers any price when they cover their contracts. There is theoretically no limit, moreover, to the amount which one may lose upon a short sale, provided he furnished sufficient margin, inasmuch as there is no theoretical limit to the price to which a stock may rise.

In discussing the economic value of short covering, J. E. Meeker says: "Particularly in times when panic is threatening does the 'short interest'—i. e., the speculators who have sold short and who are waiting to purchase and cover—perform a valuable service to investors by supporting the falling market with their buying orders and thus helping to hold prices up even in the face of disaster. For at such times the investor and margin purchaser become extremely timid and thus the previous short seller, who is under compulsion to purchase and cover his sales, alone enables the investor who must liquidate to sell his securities."

Statistics on short sales.—Beginning with May 25, 1931, the New York Stock Exchange published the size of the outstanding short interest either weekly, monthly (or daily) as described below. That is, the number of shares sold short by customers of all members of the exchange (not including sales against stock owned but not held by brokers) are reported.

Weekly figures showing number of shares in the total short interest were released by the New York Stock Exchange, compiled from information secured from its members, once each week from May 25, 1931, until September 21 of the same year, when daily reports were required. Starting September 19, 1932, daily reports were discontinued and weekly reports resumed. As of June 5, 1933, weekly reports on the total short interest were discontinued and thereafter monthly reports were required starting June 30, 1933.

The following is a record of the number of shares constituting the total short interest by months (month-end figure), from June, 1933, to October, 1936.

1933	
June 30	1,417,637
July 31	972,613
Aug. 31	901,999
Sept. 29	875,000
Oct. 31	779,228

Nov. 29	793,388
Dec. 30	712,868

1934

Jan. 31	1,030,083
Feb. 28	970,494
Mar. 29	929,495
Apr. 30	910,742
May 31	741,038
June 29	717,241
July 31	723,161
Aug. 31	826,911
Sept. 28	869,415
Oct. 31	882,397
Nov. 30	796,575
Dec. 31	714,234

1935

Jan. 31	764,854
Feb. 28	741,513
Mar. 29	760,678
Apr. 30	772,230
May 31	768,199
June 28	840,537
July 31	870,813
Aug. 30	998,872
Sept. 30	913,620
Oct. 31	930,219
Nov. 30	1,032,788
Dec. 31	927,028

1936

Jan. 31	1,103,399
Feb. 28	1,246,715
Mar. 31	1,175,351
Apr. 30	1,132,871
May 29	1,117,059
June 30	1,138,358
July 31	996,399
Aug. 31	974,338
Sept. 30	1,011,670
Oct. 30	1,066,184
Nov. 30	1,230,579
Dec. 31	1,136,814

1937

Jan. 29	1,314,840
Feb. 26	1,435,022
Mar. 31	1,199,064
Apr. 30	1,012,186
May 28	1,049,964
June 30	944,957
July 30	1,007,736
Aug. 31	966,935
Sept. 30	967,593
Oct. 29	1,214,082
Nov. 30	1,184,215
Dec. 31	1,051,870

1938

Jan. 31	1,228,005
Feb. 28	1,142,482
Mar. 31	1,097,858
Apr. 29	1,384,113
May 31	1,343,573
June 30	1,050,164
July 29	833,663
Aug. 31	729,480
Sept. 30	588,345
Oct. 28	669,530
Nov. 29	587,314
Dec. 30	500,961

1939

Jan. 31	447,543
Feb. 28	536,377
Mar. 31	529,559
Apr. 28	662,313
May 31	*667,804
June 30	651,906
July 31	481,599
Aug. 31	435,273
Sept. 29	570,516
Oct. 31	523,226
Nov. 30	479,344
Dec. 29	381,689

1940

Jan. 31	454,922
Feb. 29	485,862
Mar. 29	488,815
Apr. 30	530,594
May 31	428,132
June 28	446,957
July 31	479,243
Aug. 30	474,033
Sept. 30	517,713
Oct. 31	530,442
Nov. 29	515,458
Dec. 31	459,129

1941

Jan. 31	498,427
Feb. 28	487,151
Mar. 31	537,613
Apr. 30	511,119
May 29	497,142
June 30	478,859
July 31	487,169
Aug. 29	470,002
Sept. 30	486,912
Oct. 31	444,745
Nov. 28	453,244
Dec. 31	349,154

1942

Jan. 30	460,577
Feb. 27	489,223
Mar. 31	513,546
Apr. 30	530,636
May 29	534,396
June 30	514,158
July 31	517,422
Aug. 31	532,867
Sept. 30	548,365
Oct. 30	558,446
Nov. 30	551,053
Dec. 31	501,833

1943

Jan. 29	579,394
Feb. 26	663,750
Mar. 31	774,871
Apr. 30	882,376
May 28	980,047
June 30	879,575
July 30	836,764

Aug.	31	801,321
Sept.	30	761,827
Oct.	29	729,291
Nov.	30	760,166
Dec.	31	737,042

1944

Jan.	31	847,335
Feb.	29	960,617
Mar.	31	1,028,489
Apr.	28	1,090,581
May	31	1,181,293
June	30	1,287,970
July	31	1,327,641
Aug.	31	1,283,555
Sept.	29	1,275,709
Oct.	31	1,373,540
Nov.	30	1,436,271
Dec.	29	1,390,713

1945

Jan.	31	1,475,441
Feb.	15	**1,582,647
Mar.	15	1,520,384
Apr.	13	1,361,495
May	15	1,486,804
June	15	1,554,069
July	13	1,420,574
Aug.	14	1,305,780
Sept.	14	1,327,109
Oct.	15	1,404,483
Nov.	15	1,566,015
Dec.	14	1,465,798

1946

Jan.	15	1,270,098
Feb.	15	1,181,222
Mar.	15	1,015,772
Apr.	15	994,375
May	15	1,022,399
June	14	867,891
July	15	849,698
Aug.	15	732,649
Sept.	13	627,964
Oct.	15	757,215
Nov.	15	927,002
Dec.	13	893,178

1947

Jan.	15	798,081
Feb.	14	1,046,797
Mar.	14	1,015,331
Apr.	15	1,018,631
May	15	1,314,391
June	17	1,539,638
July	15	1,419,367
Aug.	15	1,454,752
Sept.	15	1,329,153
Oct.	15	1,190,201
Nov.	14	1,270,558
Dec.	15	1,200,345

1948

Jan.	15	1,248,526
Feb.	13	1,226,304
Mar.	15	1,154,475
Apr.	15	1,287,019
May	14	1,325,570
June	15	1,171,331
July	15	1,074,939
Aug.	13	1,009,312
Sept.	15	950,168
Oct.	15	932,714

*Beginning May 31, 1939, the reported short interest excluded short positions in odd lot accounts of odd lot dealers.

**Reporting date changed from the last settlement day of the month to the 15th of the month or preceding clearing day.

Recapitulation

High	(May 25, 1931)	5,589,700
Low	(Dec. 31, 1941)	349,154

As of February 18, 1932, New York Stock Exchange required its members to obtain consent of its customers, by signing a special form, in order to gain authority to deliver stock held in a customer's account against a short sale. By this regulation the use of a customer's stock for lending purposes, became dependent upon the customer's wishes and no authority to lend a customer's stock obtained without the specified written consent of the owner. The Securities Exchange Act of 1934 gives authority to the Securities and Exchange Commission to prescribe rules for short sales. Rule X-10A-1, 2 of the Commission regulates short sales and requirements for covering purchases.

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SHORT SIDE

Those who have sold short and whose interest it is to work for a decline in prices. Same as Short Account (q. v.).

SHORT STOCK

Stock which has been sold short. (See Short Sale.)

SHORT-TERM NOTES

A relative term, usually applied to notes running for three to six months, which are the maximum maturities specified for rediscount of eligible paper under Secs. 13 and 13a of the Federal Reserve Act, subject to specified exceptions. (See Eligible Paper.)

SHORTS

A term applying to speculators who have sold short. (See Short Sale.)

SICK MARKET

An expression describing the condition of the stock market following a period of speculative activity in which prices have fallen and traders are discouraged. A condition of uncertainty and hesitancy prevails, and traders are casting about for news susceptible to favorable or unfavorable interpretation so that commitments may be made accordingly.

SIGHT BILL OF EXCHANGE

A bill of exchange payable on presentation to the drawee. (See Bill of Exchange.)

SIGHT BILLS

Bills payable on presentation; a term synonymous with demand bills and presentation bills. (See Bill of Exchange.)

SIGHT CREDIT

A short title for the full title "Sight Letter of Credit," a letter of credit which specifies the drawing of a sight draft thereunder. (See Letters of Credit.)

SIGHT DRAFT

A draft payable upon presentation. (See Draft.)

SIGHT RATE

The rate of exchange applicable to a demand draft or check; it is synonymous with Check Rate (q. v.).

SIGHTING A BILL

When a bill is payable at sight or so many days after sight, it is presented for payment or acceptance to the drawee in order to bring it under his sight. A sight bill should be presented as soon after receipt as possible.

SIGN IN BLANK

A non-technical term sometimes used to indicate to indorse in blank. A blank indorsement is an unqualified indorsement of a negotiable instrument, but because such indorsement makes the instrument a bearer instrument, negotiation of the instrument may be effected by delivery only, so that the warranties specified in Sec. 65, Uniform Negotiable Instruments Law (Sec. 115, New York Negotiable Instruments Law), extend in favor of no holder other than the immediate transferee.
(See Indorsement.)

SIGNATURE CARD

See Signature Department, Signatures.

SIGNATURE DEPARTMENT

Among larger banks a separate department is created, the function of which is to verify signatures on all home debit checks before they are charged to the depositors' (drawers') accounts. Since a bank is responsible for paying checks signed by a forged or unauthorized name, the verification of the genuineness of signatures is important. The verification of signatures depends upon keeping an up-to-date signature card file containing all signatures with which the bank comes in contact, and the employment of clerks who can memorize the signatures of the customers in order to discriminate between a genuine signature and a fictitious, forged, or otherwise unauthorized one, without constant comparison with the signature card.

The signatures of principals of each account are secured on a signature card for future use when the account is opened. Some banks procure specimen signatures on three different cards to be used in the paying teller's and new business departments, and at the check desk. Other banks make photographic copies of signature cards, thus obviating the necessity of requesting customers to sign more than one.

In partnership accounts the signatures of all partners are required. In corporation accounts the signature of each official authorized to sign, either as full authority or for counter signature, or Per Procuration (q.v.), is obtained. The signatory power of each official is also indicated. Thus a bank official may be authorized to certify a check but not to sign a cashier's check. To authenticate the signatures of officials, a copy of the resolution of the board of directors empowering such officials to sign is also procured. Changes in authority to sign must be followed up and signature cards revised accordingly. The signature clerk must see that the signature is not only genuine, but in case of an official signing for a corporation, that he has power to sign and that the power to sign is still in force.

Banks usually place the following additional information on the signature card: (1) occupation or business; (2) address; (3) date of opening the account; (4) introduced by. (See Signatures.)

SIGNATURES

A bank is required to know the signatures of all its customers and is responsible if it pays a check on which the drawer's signature has been forged. For this reason it is essential that the signature upon each check be verified before it is paid and charged to the customer's account. The method of verification is explained under Signature Department (q. v.).

When checks are presented to the paying teller the signature of which he does not recognize (as in the case of a new account), he must consult the signature file, which should be readily accessible. If the drawer's signature differs from the usual one so as to raise the question of its genuineness, it is referred to an officer. In England it is a customary practice when the signature differs and it is difficult to communicate with the depositor, to return the check with the explanation, "signature differs."

Signatures may be representative of different types of accounts, e. g.:

(1) Individuals.

(2) Joint—Where two or more persons have a joint interest in the account.

(3) Co-partnership—Where two or more persons can sign checks binding a firm.

(4) Corporation—Where certain officials are authorized to sign by a resolution of the board of directors, which the bank should have on file.

(5) Power of attorney—Where an agent may be appointed to sign for another person. In this case a copy of the power of attorney, setting forth the agent's authority, should be on file.

(6) Agent, manager, treasurer, special, etc. A person or corporation may have several special accounts for various purposes. The person authorized to sign checks for withdrawals from such an account, does not need to reveal the principal.

(7) Administrator, executor, trustee, sinking fund agent, etc. When signing in a fiduciary capacity, proper authorization to act in such capacity must be on file.

SIGNING BY MARK

See Mark Signature.

SILK EXCHANGE

See Commodity Exchange, Inc.

SILVER

One of the metals having semi-precious status, of

only moderate industrial use but of more extensive use in manufactures and the arts. In ancient and medieval times, silver shared with gold in importance as an exchange medium and store of value; indeed, in certain periods, silver was the exclusive monetary medium. In modern times, however, China and India have been the principal countries using silver as a basis for their monetary system, although it is employed by virtually every country for subsidiary coinage.

As in the case of gold, silver must be viewed both as a commodity metal and as a monetary metal. Prior to World War II, consumption of silver was principally for monetary purposes, but in subsequent years the principal consumption of silver has been for industry and the arts, because of the increased use of paper currency and trend towards increased use of copper and nickel in subsidiary coinage. In manufactures, silver's chief usages are for silverware (tableware, plate, etc.), ornaments and jewelry, and in photography (films), chemistry, metallurgy (special alloys for brazing and soldering), dental products, and medicine.

Production and Stocks.—Silver in the United States occurs in nature almost entirely in association with other metals, and chiefly with lead, copper, zinc and gold. Only small quantities of primary silver ores exist in the United States, the principal producer of primary silver being Mexico. On this account, the production of silver in the United States is stimulated or depressed as determined by the relative activity in copper-lead-zinc mining. In the decade ending with 1930, the United States produced approximately one-fourth; Mexico, two-fifths; and the continent of North America, about three-quarters of the world's silver supply. The chief demand originated from China and India, and the price was determined in London, where settlements of Oriental trade balances were arranged. The North American continent still produces three-quarters of the world output, but in recent years, declines in production in the United States have been compensated by gains in output in Canada, Mexico and South America. Moreover, under this country's silver buying policy, as set forth in the Silver Purchase Act of 1934, demand for silver by the United States for monetary purposes has absorbed the entire domestic supply and impinged additionally on foreign stocks. Mexico leads the world in the production of silver, followed by the United States, Canada, Peru, Australia, Bolivia, Russia and Burma. Japan and Germany have also been important sources.

In ordinary years, China and India alone have absorbed from 60 to 75 per cent. of the world's annual production. The savings of the masses of both these peoples are in the form of silver, and the amount absorbed each year depends on their prosperity. No accurate figures are available on world stocks of silver, but it is believed that these two countries hold over 10,000,000,000 ounces, not only the greatest portion of the world's stocks, but about two-thirds of the amount mined in the world in the past three centuries. The largest single monetary stocks are the monetary stocks of the United States Government which as of July 31, 1948 reports silver coin and bullion outstanding of $3,405 million, and has been a buyer of newly mined silver at prices which have afforded at times substantial premiums since initial legislation passed in 1933.

Prices.—Until 1870, the price of silver was fairly stable. The coinage ratio with gold, i. e., about 16 to 1, was a reflection, over the years, of its average commercial ratio. Since 1870, largely due to demonetization of silver by European countries and by the United States, the price of silver has tended to fall in relation to gold, reaching an extreme market ratio in terms of gold of about 83 to 1 in the years 1932 and 1933. From $1.339 an ounce in 1866, silver prices trended downward to 50.7 cents an ounce in 1915. The World War brought an advance to $1.125 in 1919, but a record low price of 24 1/4 cents an ounce was established on December 29, 1932.

Among more important factors affecting silver prices are the following: The production of new silver; the return of old silver from debased or demonetized coins or from manufacturers and the arts; the sale of silver from hoards, inspired largely by the price; and the demand for silver from the two largest users, China and India, as affected by their crop conditions, internal political and social unrest, famine, public finances, and demand for hoarding.

International Control Agreement.—In an effort to cancel the deflationary effect of declining silver prices and to restore in part the use of silver as money, the United States succeeded in the adoption on July 22, 1933, at the London Economic Conference, of a four-year silver control agreement, signed by the representatives of eight nations: United States, Mexico, Canada, Australia and Peru as producers; and India, China and Spain as holders of silver. The resolution provided generally that said governments would abandon the policy and practice of debasing or demonetizing their silver coins; that paper currency of small denomination would be replaced by silver coinage, in so far as practicable; and that legislation detrimental to silver would not be enacted. The specific main points of the agreement were as follows:

1. The limitation of Indian Government sales to 140,000,000 ounces for a four-year period commencing January 1, 1934, with a maximum of 50,000,000 ounces in any one year;
2. Similar restrictions upon sales by the Spanish Government; the total being 20,000,000 ounces, and the yearly maximum 7,000,000 ounces;
3. A prohibition against any sales of demonetized coins by the Chinese Government during the four-year period; and
4. An undertaking by the Governments of the signatory producing countries to purchase or otherwise withdraw from the market, the mine production of such countries to an aggregate amount of 35,000,000 ounces annually for a four-year period; such aggregate amount to be apportioned between the five countries approximately as follows: United States 24,420,000 ounces, Mexico 7,160,000 ounces, Canada 1,670,000 ounces, Peru 1,100,000 ounces, and Australia 650,000.

U. S. Legislation.—Modern legislation on silver in the United States may be summarized as follows:

(1) Proclamation of March 6, 1933.
Closed all banking institutions in the United States for a period of four days. Forbade banks during this period from paying out, exporting or earmarking any gold or silver coin, bullion or currency, or dealing in foreign exchange. Proclaimed a suspension of the gold standard.

(2) Proclamation of March 9, 1933.
Extended the above "holiday" indefinitely.

(3) Emergency Banking Act, March 9, 1933.
Approved and confirmed previous action by the President. Specifically authorized the President,

in emergency, to regulate or prohibit foreign exchange transactions and the export, hoarding, melting, or earmarking of gold or silver coin, bullion or currency. Empowered the Secretary of the Treasury to require all persons to deliver to him all gold coin, bullion or certificates, in exchange for an equivalent amount of any other form of lawful money. Authorized the Comptroller of the Currency to appoint conservators, with power to operate banks on a restricted basis, in charge of weak National banks. National banks might strengthen capital structures by sale of Preferred stock to the Reconstruction Finance Corp. or others. Greatly liberalized note issue power of the Federal Reserve Banks.

(4) Executive Order of March 10, 1933.

Authorized reopening of sound banks on unrestricted basis on March 13, 1933 (about 2/3rds of National banks resumed by the end of March, 1933). Forbade all persons to export gold coin, bullion or certificates except under Treasury license. Prohibited banks from paying out gold or gold certificates, except as authorized by the Secretary of the Treasury, or to allow withdrawal of any currency for hoarding. Forbade any banking institution to engage in foreign exchange, except for normal and legitimate business requirements, traveling and personal requirements, and to fulfill contracts entered into prior to March 6, 1933.

(5) Executive Order of April 5, 1933.

Nationalized gold—all persons were required to deliver to a Federal Reserve Bank or agent all gold coin, bullion or certificates held by them, and receive in exchange other lawful money.

(6) Executive Order of April 20, 1933.

Confirmed the gold embargo (Proclamation of March 6, 1933, and Executive Order of March 10, 1933). Confirmed and strengthened foreign exchange restrictions in Order of March 10, 1933—authorized Secretary of the Treasury to regulate by license or otherwise any transactions in foreign exchange, transfers from domestic banks to foreign branches, and export of currency by any person. Restricted discretionary power of the Secretary of the Treasury to license gold exports, such license, with certain exceptions, to be subject to approval by the President.

(7) Thomas Amendment to Emergency Farm Mortgage Act, May 12, 1933.

Conferred following powers upon the President, to be invoked by proclamation: to change the weight of the gold dollar by not more than 50%; to change the weight of the silver dollar and provide for unlimited coinage of silver as well as gold at a fixed mint ratio; to arrange for the Federal Reserve Banks to purchase and hold for an agreed period, up to $3 billion of Government securities, in addition to current holdings; to direct the Secretary of the Treasury to issue $3 billion in U. S. Notes (Greenbacks), subject to limitations that they should be used only in retiring public debt, and shall be retired at the rate of 4% per year; to accept up to $200 million of silver, at price of not over 50¢ an ounce, in payment of debts of foreign governments to the U. S., silver certificates in amount equal to such debt payments to be issued and kept in circulation. Empowered Board of Governors of the Federal Reserve System, upon affirmative vote of not less than 5 members and approval of the President, to declare that an emergency exists by reason of credit expansion, and during such emergency, to increase or decrease legal reserve requirements of member banks. Provided that the gold dollar shall be the standard unit of value, and that all other forms of money shall be kept by the Secretary of the Treasury at a parity with it. Made all forms of lawful money full legal tender.

(8) Joint Resolution of Congress, June 5, 1933.

Declared against public policy every provision giving obligee right to require payment in gold or a particular coin or currency of the U. S. Forbade use of gold clause in the future. Provided that every obligation theretofore or thereafter incurred, whether or not containing a gold clause, shall be discharged upon payment dollar for dollar in any legal tender. Amended the Thomas Amendment's reference to legal tender.

(9) Proclamation of December 21, 1933.

Directed the Mints to receive any silver produced after that date domestically, and that one-half of such silver be coined into standard silver dollars, remainder to be kept in bullion until Dec. 31, 1937. Directed that payment for silver received be in silver dollars at 64 1/2¢ per ounce.

(10) Gold Reserve Act of 1934, January 30, 1934.

Sections relating to silver amended the Inflation Act: (a) President's power to change weights of silver and gold dollar and provide for unlimited coinage of both at fixed mint ratio, was limited to period of two years beginning January 30, 1944, subject to extension of one year by proclamation; (b) Stipulated limits on reduction in weight of gold dollar by not more than 50% and not less than 40%; (c) Authorized President to: Issue silver certificates for any silver bullion brought to the Mints. Issue silver certificates against any silver held by the Treasury not held for redemption of silver certificates. Coin standard silver dollars or subsidiary currency for the redemption of such silver certificates. Prescribe different terms, conditions, charges, etc. for foreign produced silver. Reduce weight of subsidiary coins to keep on parity with any alteration in silver or gold dollar.

(11) Proclamation of January 31, 1934.

Reduced weight of gold dollar from 25.8 grains, .9 fine to 15 5/21 grains, .9 fine, or to 59.06% of previous gold content. No change in silver dollar.

(12) Silver Purchase Act of 1934, June 19, 1934.

Declared it to be the policy of the United States that 1/4th of monetary value of stocks of gold and silver shall ultimately be silver. Authorized and directed Secretary of the Treasury to purchase silver at home and abroad until such ratio is reached, but: (1) no silver is to be bought for more thatn $1.29 per fine ounce (statutory monetary value); (2) Not more than 50¢ an ounce to be paid for silver situated in continental U. S. May 1, 1934. Authorized Secretary of the Treasury to issue silver certificates in amount not less than cost of silver purchased. Such certificates shall be placed in actual circulation. All silver certificates declared to be full legal tender, and redeem-

able at Treasury in standard silver dollars. Authorized Secretary of the Treasury to coin silver dollars for such redemption. Authorized Secretary of the Treasury to sell at home or abroad (with approval of the President) any silver acquired under the Act not necessary for security of silver certificates--(1) whenever the market price of silver exceeded monetary value ($1.29 an ounce); (2) whenever monetary value of silver stock was more than 25% of combined stocks of gold and silver.

Empowered Secretary of the Treasury, with approval of the President, to regulate by license, etc. acquisition, import, export, shipments of silver. Authorized President, at his discretion, to require the delivery of all silver to Mints and pay a fair market price

(13) Order of June 28, 1934 of Secretary of the Treasury.

Required licenses for export of silver; certain exceptions.

(14) Proclamation and Executive Order of August 9, 1934.

Nationalized silver. Required that all silver in continental U. S. be delivered to the Mints; that this silver be coined or held as bullion for later coinage; the silver to be paid for, in any lawful money, at 50.01¢ per fine ounce. Terms of Proclamation of Dec. 21, 1933 not disturbed except that—(1) any silver not delivered under that Proclamation if processed to more than .8 fine after August 9, 1934 to be paid for at 50.01¢ per ounce; (2) any silver imported after August 9, 1934 to be under Treasury regulation under Silver Purchase Act.

(15) Act of July 6, 1939.

Authorized purchase of silver from domestic ores at 71.11¢ per fine ounce. This was also the domestic selling price for new metal used in industry and for Treasury unpledged silver sold under the Act from July, 1943 through 1946.

(16) Act of July 31, 1946.

Provided that domestic silver mined after July 1, 1946 and tendered to the Mints within a year after the ore was mined, would be received for coinage by the Mints with a seigniorage deduction of 30%.

Accordingly, the Treasury's purchase price for newly mined domestic silver is now 90.5¢ per fine ounce.

This Act also authorized the sale by the Treasury of any silver held or owned by the United States under such terms as the Secretary of the Treasury shall deem advisable, but at not less than 90.5¢ per fine ounce.

Under this authority, the Treasury currently sells silver at 91¢ per fine ounce.

As the result of all this legislation, the United States Treasury has made the following purchases of domestic and foreign silver since 1933:

Silver Purchases by U. S. Treasury
(in millions of fine ozs.)

Year	Domestic Silver	Foreign Silver
1933	2.4	21.4
1934	22.1	173.2
1935	38.2	494.6
1936	61.2	273.0
1937	70.9	241.8
1938	61.9	355.6
1939	60.7	282.6
1940	68.4	140.7
1941	70.5	73.1
1942	47.9	15.0
1943	5.6	0.3
1944	0.1	0.3
1945	0.9	0.3
1946	4.5	0.4

Under the Proclamation and executive Order of August 9, 1934, a total of 112,850,000 ounces of silver from private stocks were obtained. At the close of 1947, free silver totaled 186.5 million ounces, total Treasury holdings being reported at 2,748 million ounces. As of December 31, 1947 the ratio of monetary silver stock to monetary gold stock was approximately 14%, as compared with the 25% objective of the Silver Purchase Act, and compared with 19.1% ratio at the close of 1938.

During this "modern era" of silver since 1933, world production, United States production, consumption of new silver for the arts and industry and for coinage, and average open market prices for silver in the New York market, have compared as follows:

-----in millions of fine ounces-----

Year	Production World	Production United States	Consumption in U.S. Industry (New)	Consumption in U.S. Coinage	*Average New York Prices
1933	169.7	23.3	10.8	0.6	34.7¢
1934	186.5	32.7	11.5	16.2	48.0
1935	214.5	45.6	5.3	22.8	64.3
1936	254.6	63.4	19.1	25.1	45.1
1937	277.7	71.4	27.7	15.9	44.8
1938	267.7	61.7	20.2	6.5	43.2
1939	266.9	64.3	44.6	20.2	39.1
1940	275.4	70.6	44.5	21.2	34.8
1941	261.6	67.2	72.4	55.1	34.8
1942	250.0	54.1	101.4	78.8	38.3
1943	217.1	41.5	129.9	98.5	44.8
1944	186.2	34.5	120.1	75.4	44.8
1945	157.3	29.0	126.3	67.0	51.9
1946	129.0	22.9	87.0	44.1	80.2
1947	E200.0	34.2	E85.0	E23.0	71.8

*Silver .999 fine. E--Estimated.

Markets.--The principal international markets for silver are in London, Shanghai, Bombay, Hong Kong, and New York. Although the United States is a large user of silver, it has not had a market for silver comparing in size with that of the London or principal Oriental markets. A market for silver futures was maintained on the Commodity Exchange, Inc. in New York until the nationalization of silver on August 9, 1934. A New York market for bar silver, .999 fine, continues to be maintained by bullion brokers, subject to prevailing laws and regulations on silver. In most

recent years, the New York market has assumed importance as foreign holders of silver, interested in building up dollar balances in the United States, have been active sellers.

For major legislation in the fight by silver proponents to restore coinage of silver in the United States following the "Crime of 1873", which dropped standard silver dollars from coinage, see Bland-Allison Act and Sherman Silver Purchase Act.

See Market Ratio, Monetary Stock (Circulation), Silver Certificates, Silver Coinage, Silver Dollar.

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SILVER BULLION

Standard silver bars (.999 fine), which are good delivery for bullion trading in the New York market, contain about 1,000 troy ounces, or approximately 70 pounds avoirdupois. Silver issue bars manufactured by the Mint contain approximately 389 fine ounces of silver. In addition, the Assay Office in New York manufactures silver ingots for coinage in the Philadelphia Mint containing approximately 35 ounces of fine silver each.

(See Silver.)

SILVER CERTIFICATES

Silver certificates are issued in denominations as follows: $1, $2, $5, $10, $20, $50, $100, $500 and $1,000. This issue is engraved with green backs, being stamped with a blue seal on the obverse side. They are, in effect, warehouse receipts certifying that one dollar in silver has been deposited in the United States Treasury for each dollar represented by the certificate, payable to the bearer on demand. They circulate in lieu of an equivalent amount of actual silver in which metal they are redeemable, and therefore, are collateraled by a 100 per cent. silver reserve in silver, in bullion and standard silver dollars. They are now legal tender for all debts, public and private, by virtue of the Thomas Amendment to the AAA Farm Relief and Inflation Act (May 12, 1933), and the Gold Repeal Joint Resolution of June 5, 1933. They may be held by Federal Reserve and National banks as lawful reserve. Silver certificates are the second largest type of paper currency outstanding, next to Federal Reserve Notes. They were first issued in 1878. (See Monetary Stock (Circulation)).

SILVER COINAGE

At present silver coinage in the United States is restricted to standard silver dollars, and three subsidiary silver coins, the 50 cent, 25 cent, and 10 cent piece, all of which are coined on Government account only. Under the Act of April 2, 1792, establishing the first monetary system of the United States, both gold and silver were standard moneys and freely coined at the ratio of 1:15. The double standard was abolished by the Act of February 12, 1873, whereby silver became demonetized.

Under the Thomas Amendment to the AAA Farm Relief and Inflation Act of May 12, 1933 (see Silver), the President was authorized by proclamation to provide for coinage of the silver dollar at a weight .9 fine bearing a definite fixed ratio to the weight of the gold dollar. Weight of the silver dollar has been continued at 412.5 grains of silver, .9 fine, and the weight of the fractional silver coins has also been continued unchanged. The silver dollar has been legal tender since initial coinage in 1792 except for the period 1873-1878 (see Bland-Allison Act, Crime of 1873, Sherman Silver Purchase Act).

(See Dime, Half Dollar, Quarter, Silver, Silver Dollar.)

SILVER DOLLAR

This coin has an anomalous position in the United States monetary system. It is coined only on Government account, is short in value and is in reality a form of token money. Nevertheless it is legal tender at its nominal value for all debts and dues, public and private, without regard to amount. Silver dollars are not redeemable in gold—the standard money—although by the Gold Standard Act of 1900, and reaffirmed by the Federal Reserve Act of 1913, the different kinds of money in circulation are required to be kept on a parity with gold by the Treasurer of the United States.

The silver dollar contains 412.50 grains of standard silver (0.900 fine), and is composed of 371.25 grains of pure silver, and 41.25 grains of copper alloy. The coinage ratio between gold and silver is 15.988+, and at the current prices of silver, the Government makes a considerable profit in silver coinage, which is Seigniorage (q. v.), a miscellaneous revenue of the Treasury.

The statutory coining value in standard silver dollars of an ounce of silver (.9 fine) is $1.2929+, so that the coining value of an ounce of standard silver is $1.1636+. Since standard silver bullion in the New York market and London market is quoted by the fine ounce, the bullion value of the silver dollar at any given time may be determined by dividing the coining value per ounce by the commercial price per ounce. The table appended herewith shows these values from 1890 to 1946, and the ratio of price of silver to gold for the same period.

Year	Bullion Value of Silver Dollar (a)	Average Commercial Ratio of Price of Silver to Gold
1890	$0.80927	19.75
1895	0.50587	31.60
1900	0.47958	33.33
1901	0.46093	34.68
1902	0.40835	39.15
1903	0.41960	38.10
1904	0.44763	35.70
1905	0.47200	33.87
1906	0.52353	30.54
1907	0.51164	31.24
1908	0.41371	38.64
1909	0.40231	39.74
1910	0.41825	38.22
1911	0.41709	38.33
1912	0.47543	33.62
1913	0.46760	34.19
1914	0.42780	37.37
1915	0.40135	40.48

Year	Bullion Value of Silver Dollar (a)	Average Commercial Ratio of Price of Silver to Gold
1916	0.53094	30.78
1917	0.69242	24.61
1918	0.76142	21.00
1919	0.86692	18.44
1920	0.78844	20.28
1921	0.48817	32.76
1922	0.52640	30.43
1923	0.50458	31.69
1924	0.51906	30.80
1925	0.53681	29.78
1926	0.48284	33.11
1927	0.43838	36.47
1928	0.45237	35.34
1929	0.41229	38.78
1930	0.29751	53.74
1931	0.22440	71.25
1932	0.21814	73.29
1933	0.27068	59.06
1934	0.37344	72.49
1935	0.49950	54.19
1936	0.35113	77.09
1937	0.34956	77.44
1938	0.33673	80.39
1939	0.30470	88.84
1940	0.27136	99.76
1941	0.27144	99.73
1942	0.29889	90.57
1943	0.34853	77.67
1944	0.34853	77.67
1945	0.40404	67.00
1946	0.66305	40.83

(a) Average market quotation divided by statutory price.
Source--Annual Report of Director of the Mint.

SILVER FUTURES

Trading in silver futures was conducted on the Commodity Exchange, Inc., until suspended on August 9, 1934, in view of the Presidential Proclamation nationalizing silver and the supplementing order of the Secretary of the Treasury by which existing silver stocks in the United States, other than by special license, were condemned for purchase by the Treasury at 50.01 cents per ounce.

SILVER PURCHASE ACT OF 1934

An act, approved June 19, 1934, which, among other things:

(1) Declared it to be the policy of the United States that the proportion of silver to gold in the monetary stocks of the United States should be increased, with the ultimate objective of having and maintaining one-fourth of the monetary value of such stocks in silver;

(2) Authorized and directed the Secretary of the Treasury, whenever the proportion of silver in the stocks of gold and silver of the United States is less than one-fourth of the monetary value of such stocks, to purchase silver, at home or abroad, for present or future delivery, at such rates and times and upon such terms as he may deem reasonable and most advantageous to the United States; but provided that no purchase of silver should be made at a price in excess of its monetary value, and that no purchase of silver situated in the United States on May 1, 1934, should be made at a price in excess of 50 cents a fine ounce;

(3) Authorized the Secretary of the Treasury, with approval of the President, to sell any silver acquired under the terms of the act, at such rates and times and upon such conditions as he deemed reasonable and advantageous, whenever the market price of silver exceeded its monetary value or the monetary value of the stocks of silver is greater than 25 per cent. of the monetary value of the stocks of gold and silver;

(4) Authorized and directed the Secretary of the Treasury to issue and place "in actual circulation" silver certificates in such denominations as he might prescribe;

(5) Provided that the Treasury should maintain as security for all silver certificates heretofore and hereafter issued, and at the time outstanding, an amount of silver bullion and standard silver dollars equal to the face value of the silver certificates;

(6) Stipulated that all silver certificates should be legal tender for all debts, public and private, public charges, taxes, duties and dues, and should be redeemable on demand at the Treasury in standard silver dollars;

(7) Vested in the Secretary of the Treasury, with approval of the President, the power to investigate, regulate and prohibit, by license or otherwise, the acquisition, importation, exportation or transportation of silver, "and of contracts and other arrangements made with respect thereto," and to require reports as to the facts involved, whenever necessary to effectuate the policy of the law; violations to be punishable by maximum fine of $10,000 or not over ten years imprisonment, or both;

(8) Authorized the President, by Executive order, to require the delivery to require the delivery to the mints of "any or all" silver by whomever owned or possessed, this silver to be coined into silver dollars or otherwise added to the monetary stocks as the President may determine; and, provided that there should be returned therefor in standard silver dollars, or any other coin or currency of the United States, the monetary value of the silver so delivered less deductions for seigniorage, brassage, coinage or other mint charges;

(9) Provided that silver withheld in violation of this provision be forfeited to the government and, in addition, persons failing to comply with the provision be subject to a penalty equal to twice the monetary value of the silver withheld; and

(10) Amended the stamp-tax provisions of existing law to provide a transfer tax on silver bullion equal to 50 per cent. of the difference between the price for which any interest in silver is to be transferred and the cost of the bullion, plus allowed expenses.

SILVER STANDARD COUNTRIES

See Silver.

SIMPLE ARBITRATION OF EXCHANGE

See Arbitration of Exchange.

SINGLE-NAME PAPER

Notes which are the obligations of one party only, i.e., the maker. It is also known as straight paper.

Single name paper "represents loans to an individual, firm or corporation on their own note of hand without

any other responsibility than that of the general credit of the maker. Although two or more names may appear on a note either as makers or indorsers, it it still single name paper, if the names represent identical interests. Sometimes the members of a firm will indorse their firm notes personally, but unless they are possessed of considerable outside means entirely apart from their business, such indorsements merely strengthen the moral risk, and the instrument is still single name paper. Again, a firm may have a subsidiary organization trading under a separate name, but with identical interests, so that although both names appear on the note—one as maker and the other as indorser—the obligation is still essentially single name paper. Failure to guard against this contingency has caused many bank losses, since a single failure may affect several allied companies'' (Wolfe, O. H.: Practical Banking).

A large proportion of the commercial paper sold through the medium of note brokers is single name paper. (See Commercial Paper.)

SINGLE OPTION

A put or a call. (See Call, Put.)

SINGLE STANDARD

A monetary system in which one metal, e. g., gold or silver, is made the basis of the standard money and coins manufactured from all other metals are subsidiary. (See Gold Standard, Standard Money, Standard of Value.)

SINKING FUND

A fund created by setting aside out of earnings at stated intervals sufficient to provide for the payment of all, or part, of a long term debt, such as an issue of bonds, or of a senior stock, such as preferred stock. The creation of a sinking fund is a method of amortization or extinguishment of a debt not yet matured, and is as binding upon the debtor organization (obligor) as any other provision of the contract.

A sinking fund is usually placed in the hands of a sinking fund trustee named under the terms of a mortgage deed. It may be invested in three ways: (1) deposited in a bank to bear interest; (2) in bonds of other organizations; and (3) in bonds of the issuing organization. Due to the opportunity for mismanagement of sinking fund investments, it is usually considered safer to apply sinking fund payments to the purchase of the company's own bonds being amortized, thus extinguishing the very debt for which the sinking fund was created.

There are three ways in which a sinking fund may be invested in a company's own bonds: (1) purchasing and keeping alive parts of other issues; (2) purchasing and keeping alive parts of the issue being amortized; (3) purchasing and cancelling parts of the issue being amortized. The latter method is usually considered the best. It not only decreases fixed charges, but it increases the equity of the owners and strengthens the security of the bondholders. It also prevents mismanagement of the sinking fund and tends to stabilize the price by making a market for the bonds.

The purchase of the bonds being amortized may be accomplished by open market transactions, or else the mortgage deed may provide for the purchase on certain interest dates of a certain number of bonds to be called by lot, usually at a premium. In the latter case, notice is given by the sinking fund agent that in accordance with the provisions of the mortgage and deed of trust it has designated by lot, for redemption on a certain date out of moneys paid to the trustee by the issuing company, a certain sum of money for the redemption of bonds bearing the numbers stated in the notice.

SINKING FUND ASSETS

The name given to an account which represents cash or securities in which the sinking fund is invested. From an accounting and credit standpoint, these assets should be considered as applicable to the reduction of the relative liabilities. (See Sinking Fund.)

SINKING FUND BONDS

Bonds issued under a sinking fund agreement which requires the debtor organization (obligor) to set aside periodically out of earnings a sum which, with interest, will be sufficient to redeem the issue in whole or part at maturity. The purpose of sinking fund bonds is to give assurance to investors that systematic provision is to be made for the repayment of the loan and sinking fund payments become obligatory as part of the contract. Sinking fund payments are usually made to a trust company or sinking fund trustee and are just as binding upon the issuer as interest payments, e. g., failure to make sinking fund payments entitles the bond holders to the same legal rights as default in payment of interest.

Sinking fund bonds occur among both civil and corprate issues, but are more common among the latter. Sinking fund bonds are essential for protection of the investor in the case of extractive industries, such as coal mining, oil, and the like, since the assets are of a wasting character. Among railroad and public utility corporations where the fixed assets must be kept intact in order that operations may continue, sinking fund bonds are nevertheless quite common.

Among civil issues, the serial method of debt repayment has tended in recent years to replace the sinking fund method. (See Sinking Fund.)

SINKING FUND REDEMPTION NOTICE

A notice published in accordance with the requirements of the bond indenture notifying holders of bonds that are callable for redemption before maturity, that certain bonds have been drawn by lot for current sinking fund redemption on specified date, and should be presented for payment, as interest will cease after the redemption date.

The following is a current example of a Sinking Fund Redemption Notice, or ''Notice of Redemption''.

To the Holders of Chicago & Western Indiana Railroad Company First & Refunding Mortgage 4 1/4%, Series D, Sinking Fund Bonds, due September 1, 1962:

NOTICE IS HEREBY GIVEN that pursuant to the provisions of the First & Refunding Mortgage of Chicago & Western Indiana Railroad Company dated September 2, 1912, and Indentures supplemental thereto, to the Trustee, $429,000 principal amount of Chicago & Western Indiana Railroad Company First & Refunding Mortgage 4 1/4%, Series D, Sinking Fund Bonds due September 1, 1962, bearing the following serial numbers prefixed by the letter M, have been drawn by lot by said Trustee for acquisition for the sinking fund on September 1, 1948: (Numbers follow).

Accordingly, on September 1, 1948, the bonds so

designated for acquisition will be redeemed and the principal amount thereof plus accrued interest to said date will become due and payable at the principal office of the Trustee, and on and after said date will be paid at said office upon presentation and surrender of said bonds accompanied by all coupons appertaining thereto maturing on and after September 1, 1948, although coupons due September 1, 1948 may either be attached to said bonds for payment or, if detached from such bonds by the holder thereof, may be presented for payment in the usual manner. Holders of said bonds called for redemption as aforesaid will not be entitled to interest thereon after September 1, 1948.

(See Sinking Fund Bonds.)

SIXPENCE

An English silver coin, equivalent to about 10 cents in United States money. (See English Money Table, Foreign Moneys—England.)

SIXTEEN TO ONE

The popular title to the issue raised in the campaign of 1896 between Bryan and McKinley, having reference to the coinage ratio between silver and gold. Bryan advocated the re-establishment of Bimetallism (q. v.) on this basis. The coinage ratio between silver and gold of 16 to 1 was established by Act of Congress in 1837, although the exact ratio was 15.988 plus. (See Free Coinage.)

SKYROCKETING

An expression to denote the rapid rise of a stock, or of the entire market, over a wide range in a short time. Such a rise is brought about by speculative enthusiasm generated by particularly favorable news.

SLAUGHTER

An expression to denote the sale of securities at prices far lower than warranted by intrinsic values.

SLIPPING

An expression to denote a declining trendency of stock market prices.

SLOW ASSETS

Same as fixed, permanent, or capital assets. (See Fixed Assets.)

Slow or doubtful loans are a classification in examination of a bank's loans, for which reserves or outright charge-off should be provided. (See Examination Procedure.)

SLUGGISH

An expression to denote a state of inactivity in a market, i. e., a small number of transactions and slight price changes.

SLUMP

This term has two applications:

(1) An expression to denote the continued decline in prices in a market, especially when due to unfavorable trade reports.

(2) A term to describe a falling off in the volume of business in a trade or industry, or throughout the entire business structure.

SMALL-LOAN BUSINESS

Making small loans is not only the oldest form of financial transaction, but is one which involves, in the aggregate, large sums of money. But its organization under established standards is a comparatively recent development. Largely through the efforts of the Russell Sage Foundation and its model law, the business of lending small amounts for short periods has been taken away from "loan sharks" in 40 states and is being performed by legitimate small-loan dealers under strict state supervision and control. Small loans are described by law in these states as loans of $300 or less and are usually known as consumer or "remedial" loans.

The extent of the consumer demand for small loans is indicated by the table appended herewith, showing that in 1947 the volume of loans made by personal loan companies, credit unions, industrial banking companies and commercial banks reached a record high of $5,179 million, with loans outstanding at the close of 1947 at a record high of $2,635 million.

Maximum term for repayment of instalment loans is fixed by State law or regulation. Prior to World War II, loans in most States were repayable within 20 months, through monthly instalments, except for loans over $300. With issuance of Regulation W of the Board of Governors of the Federal Reserve System, in September, 1941 instalment loans had to be repaid within 18 months. In 1942, this was shortened to 15 months, and later to 12 months. In October, 1945, term was lengthened to 18 months, but in 1946 again reduced to 15 months. When Regulation W was terminated in November, 1947 by Congress, small loan companies restored maximum maturities of 20 months, except for loans of larger amounts. With restoration of Regulation W in 1948, maximum terms under the Regulation are 15 months for loans of less than $1,000 and 18 months for loans in excess of that amount.

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Consumer Installment Loans

(in millions)

Total Loans Made During Year

Year	Personal Loan Companies	Credit Unions	Industrial Banking Companies	Commercial Banks
1947	$1,454	$497	$592	$2,636
1946	1,251	339	441	1,793
1945	956	228	317	942

Year	Personal Loan Companies	Credit Unions	Industrial Banking Companies	Commercial Banks
1944	869	230	294	749
1943	800	228	279	633
1942	784	247	328	792
1941	975	372	458	1,198
1940	912	320	453	1,017
1939	827	257	455	680
1938	664	179	414	460
1937	662	148	409	368
1936	610	105	354	248
1935	455	67	288	130
1934	413	42	234	69
1933	322	33	202	--
1932	393	34	250	--
1931	494	38	340	--
1930	503	41	380	--
1929	463	42	413	--

Source--Board of Governors of the Federal Reserve System.

SMASH

An expression to denote an abrupt and violent decline in prices of securities or commodities creating a condition bordering on panic; a stronger expression than Break (q. v.).

SOCIAL CREDIT

A term used by a school of "New Economics" in offering a program in solution of the economic paradox of "penury amidst plenty." The plan would disturb the existing institutions of private capitalism, i. e., private property and individual initiative only to a minimum extent. Its proponents, led by Major C. H. Douglas, a British engineer, who has written extensively on the subject, claim that under a modern production system goods of every description can be turned out at a continously decreasing amount of human energy and labor. The technological genius of every country is working toward the replacement of labor by machines, and mercantile institutions are endeavoring to put the world out of work—thus creating a miscalled unemployment problem. To a considerable degree this is blamed on banking and credit systems, the following situations being the roots of the difficulty:

(1) Wages and dividends will not purchase total production—which difficulty is cumulative.

(2) The only source of buying power likely to make up this difference are loans and export credits.

(3) All industrial nations are competing for export credits—making for fierce competition and sometimes war.

(4) The main distribution of purchasing power is through wages and salaries to individuals. At the same time the preponderating factor in production is improving processes and utilizing solar energy (such as coal, oil, steam, etc.)

(5) This latter tends to displace wage payments and, in consequence, distribution of products to individuals. At the same time the credit factor must increase in importance, and dominates production.

(6) Said production is, therefore, of a character demanded by this in control of credit, and is capital production.

(7) Therefore, the fundamental derivation of credit is from a community of individuals, and, since individuals are ceasing in part to benefit by the use thereof, it is breaking down.

To remedy the faulty system of distribution of purchasing power, the proponents of the Social Credit doctrine, propose:

(1) The establishment of a "National Credit Account," which is in the nature of a vast revolving fund, from which,

(2) "National Dividends" shall be paid periodically to all adult inhabitants of this country. There may be some exceptions of too properous individuals, but nearly every adult person is to receive quarterly or half-yearly in cash or in credit at some bank his dividend in money provided by the national Government from this proposed fund.

(3) "The National Discount" and "The Just Price." The National Discount is to be determined by analyses and syntheses made by statisticians of the Federal Government. These studies will pertain to actual "consumption" by the nation as a whole during a stated period—three months or six months—and, likewise, to estimated "production" of goods and services nationally during the same period. From the ratio of the grand totals of such consumption and production statistics, "national discount" is to be determined. When so determined by the Federal statisticians, the President, or other designated authority, shall promulgate an edict declaring the percentage of "discount" for the next quarter or half-year—25 per cent. perhaps, or 35 per cent., or more, or less, or nothing, or less than nothing (an assessment instead of a discount). This discount is to apply throughout the nation on all retail purchases during the period in question. Retailers are to allow to all purchasers the declared discount from regular selling prices, which is in the nature of a subsidy, or gift, to every purchaser whoever he or she may be. This discount will establish "the just price." The necessity for such a "just price" being based upon much involved reasoning, calculation and illustration by the new economists.

(4) These proposals cover the control of credit—issuance and recall of bank loans which are to be removed from the banks by another presidential edict. These powers are to be bestowed upon a council or board in Washington. This body shall be made analogous to the Supreme Court and shall determine the "going rates" for loans, the rates for "National Dividends," etc. The present banks are to continue operations, if they desire to do so, but shall not make loans in excess of their capital and surplus. They may not build up vast "bank-deposit accounts," which "social credit" designates "money," based upon loans to customers.

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SOCIAL INSURANCE

A name given to state-controlled insurance against the risks and hazards of a complex civilization, including, in its more comprehensive aspects, coverage for individual unemployment, sickness, industrial accident, permanent invalidity, old age, maternity and widowhood. In many European countries, social insurance is regarded as a normal function of the Government, but the development has been slow and experimental. Some of these schemes are voluntary and contributory (on the part of the insured) in whole or part; others are com-

pulsory. The trend in recent years is toward compulsion.

In 1889, Germany launched the first comprehensive social insurance program for any important country. Great Britain, in 1909, made its beginnings in this field which have been subjected to constant revision. In the United States, the trend towards the various forms of social insurance has been rapid since 1911, when workmen's compensation acts first appeared.

Social insurance may be non-contributory, in which case the State bears the whole of the cost; or it may be contributory, in which case the employer or the employed person, or both, pay into a fund. To the accumulated contributory fund the State may or may not add a subsidy out of public money raised by taxation. Plans may be compulsory of voluntary, either as a whole or in part. Whether compulsory or voluntary, the State exercises supervision and may contribute subsidies. In most plans of social insurance there is an income and property limit. Only those persons are eligible whose resources are within the limit and certain benefits—for instance, pensions—may be graded inversely to those resources.

Social insurance falls into four broad categories: First, accident, including workmen's compensation; second, sickness, including maternity; third, old age, including invalidity or physical incapacity to earn a living; and fourth, unemployment.

(See Social Security Act, Unemployment Insurance.)

SOCIAL SECURITY ACT

An act approved August 14, 1935, containing eleven titles and covering as of 1946 about 49,500,000 individuals against the "major hazards of our economic mechanism." Persons excluded, however, are those employed in agricultural labor; domestic service in private homes; casual employment not in the course of the employer's trade or business; service on foreign vessels and certain small fishing vessels; service for Federal, State or local governments and certain of their instrumentalities; employment by religious, charitable, educational, and scientific organizations not organized or conducted for profit; service for a foreign government and its instrumentalities; certain part-time or itinerant employment providing only nominal wages; self-employment; certain family employment; services by newsboys under 18; and railroad employment, which is covered separately by the Railroad Retirement Act. All other workers are included regardless of salary or wage, except that taxes are computed on that part of a salary or wage not exceeding $3000 per annum.

The act created a Social Security Board of three members to administer not only the pension part but all of the other features such as Federal Old Age Benefits, Grants to States for Old-Age Assistance, Unemployment Insurance, Dependent Children, Maternal and Child Health Services, Crippled Children, Child Welfare Services, Rehabilitation of Disabled, Public Health Work, and Aid of the Blind. Of these, only Old Age and Survivors Insurance are administered directly by the Federal Government. In reorganization of 1946, the Social Security Board was succeeded by the Social Security Administration, now one of the four constituents of the Federal Security Agency.

Old-Age Assistance.—The act authorized an appropriation of $49,750,000 for the fiscal year ended June 30, 1936, and so much as may be needed thereafter, to assist the States in caring for the aged, persons over 65 years of age. Grants under amendment of Oct. 1, 1946 to continue in effect until June 30, 1950 are 2/3rds of the first $15 and 1/2 of the remainder up to $45.

Contributory Old-Age Pensions.—The act provides a long-range old-age pension system, to be financed by an income tax on employes and a payroll tax on employers, starting in each case at 1 per cent. in 1937 and rising under an amendment passed in 1947 to 1.5% in 1950 and 2% in 1952.

Under the operation of the system each qualified worker who retires at the age of 65 years, but not prior to January 1, 1942, will receive a monthly pension until his death. The rate of payment will vary from $10 to $85 a month, 80% of the worker's average monthly wage, or twice the amount of his monthly retirement benefit, whichever is the least. Lump sum settlements are to be made to estates and qualified beneficiaries who die before reaching the age of 65.

Unemployment Insurance.—The act provides a Federal-State system of unemployment compensation, based upon a payroll-excise tax upon employers. It provides that on and after January 1, 1936, employers of eight or more persons, or less if determined by the states, will be assessed excise taxes on their payrolls, of 1 per cent. in 1936, 2 per cent. in 1937, 3 per cent. in 1938 and 1939, and under amendment in 1940, reduced to 2.7%, with further reduction effected through rate credits. All moneys collected are deposited with the Secretary of the Treasury in the Unemployment Insurance Fund, from which requisitions are made by the States for payment of benefits.

The funds so collected are to be paid to employes in periods of unemployment, according to laws and rules adopted by the states.

The act allows the states to set up laws suited to their own requirements, allows a credit up to 90 per cent. to employers on account of taxes paid into strictly state unemployment funds and grants Federal subsidy, ($57.6 million for the 1946-1947 fiscal year) to assist the states in administering their laws.

Aid to Dependent Children.—Authorizes $24,750,000 for the fiscal year ended June 30, 1936, and such amounts as may be needed in future years, to assist the states in providing aid to dependent children. Under legislation effective Oct. 1, 1946, continuing through June 30, 1950, Federal grants are 2/3rds of the first $9 of average monthly payment per child, plus 1/2 of the remainder up to $24 for the first child and $15 for the second and subsequent children. Grants also provide for half of the administrative expenses of the States.

Aid to Mothers and Children.—Authorized annual appropriations to aid the states in promoting the health of mothers and children, "especially in rural areas and in areas suffering from severe economic distress." Under 1946 amendment, Federal grants to the States for this purpose total $11 million a year, of which half must be matched by the States. Each State receives $35,000 of its matching contribution plus additional aid proportioned to number of its live births.

Medical Care of Crippled Children.—Authorizes annual grants for assistance in the states in providing surgical, corrective and other services and facilities for crippled children. Under amendment of 1946, Federal grants to the States for this purpose total $7.5 million, of which half must be matched by the States. Each State receives $30,000 of the amount matched,

plus additional aid in proportion to its number of children under 21 years of age.

Aid to the Blind.—Authorizes aid to the states in pensioning the needy blind. Under 1946 amendment, Federal portion of aid to the needy aged and needy blind is 2/3rds of the first $15 of average monthly payment, plus 1/2 of the remainder up to $45.

In addition, the Act authorized approprations to aid State public welfare agencies in aiding homeless, dependent and neglected children; in maintaining public health services; and in rehabilitation of the disabled. During World War II, Federal grants were also made for emergency maternity and infant care for wives and infants of enlisted men in the armed forces.

Summary.—As of June 30, 1947, the Old Age and Survivors Insurance Trust Fund reported total assets of $8,798 million. Contributions during the 1946-1947 fiscal year totaled $1,459 million. Since inception, a total of $1,595 million has been certified for payments, including $434.8 million in the 1946-1947 fiscal year.

SOCIALISM

According to Norman Thomas, "In its broadest sense, Socialism (evolutionary Socialism) is the doctrine that land, natural resources, and the principal means of production and distribution should be socially owned and democractically managed so that production should be for public use rather than private profit..." The doctrines of socialism are chiefly academic and are offered in criticism of private capitalism. As a plan of action, evolutionary socialism, of which there are many variants, has never materialized as such as compared with the militantly revolutionary Communism. The Union of Socialist Soviet Republics (Soviet Russia) represents the nearest approach to an embodiment of Marxian Socialism.

Morris Hillquit in "Socialism" stated; "The Socialist programme advocates a reorganization of the existing industrial system on the basis of collective or national ownership of the social tools. It demands that the control of the machinery of wealth creation be taken from the individual capitalist and placed in the hands of the nation, to be organized and operated for the benefit of the whole people." In "Present Day Socialism" by Morris Hillquit, it is also stated: "The cardinal demand of Socialism is the abolition of private ownership in the vital sources of wealth production."

All socialism, whether moderate (Fabian), State, or extreme (Russian), is based on the work of Karl Marx, the German economist, who is considered the founder of scientific socialism through his works, the Communist Manifesto and Das Kapital.

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SOFT

An expression applied to a stock, or to the entire stock market, when prices have a declining tendency.

SOFT MONEY

Paper money as distinguished from metallic or hard money.

SOFT SPOT

A stock exchange expression applying to any single stock which stands out prominently in the day's quotations because of its weakness, when the rest of the list maintains its strength.

SOIL EROSION AND DOMESTIC ALLOTMENT ACT

See under Agricultural Adjustment Act.

SOL

The international currency unit of Peru. (See Foreign Moneys—Tables 1 and 2.)

SOLA, SOLA BILL

A foreign check or bill of exchange consisting of one document as distinguished from a check or bill drawn in a set, i. e., in duplicate or triplicate. Foreign checks and bills of exchange are normally issued in duplicate and transmitted on separate steamers. A sola check or bill is not of usual occurrence. Such a check or bill would be phrased, "Pay this Sola Bill of Exchange to the order of," or the word "Sole" would be printed in large type across the face. (See First of Exchange.)

SOLE, SOLE OF EXCHANGE, SOLUS

Other terms used synonymously with Sola or Sola Bill (q. v.).

SOLVENCY

The normal condition of a business—when assets exceed liabilities (not including net worth) and liabilities are met as they mature. (See Business Solvency, Financial Solvency.)

SOVEREIGN

(1) In law, the supreme authority of a government. In the United States, there are 49 sovereigns--the Federal Government, with authority derived from the U. S. Constitution and the people, and the 48 States. A sovereign may not be sued without its consent.

(2) In the currency system of Great Britain, the gold sovereign has the value of one pound, but is not in circulation. (See English Money Table, Foreign Moneys, Tables 1 and 2.)

SPECIAL AGENT

See Agent.

SPECIAL ASSESSMENT BONDS

Bonds issued by municipalities for obtaining funds to finance improvements, the benefits of which are purely local in character, such as parks, drainage ditches, sewers, side-walks, etc. While these bonds are obligations of a municipality or district, the principal and interest are payable by levying a special tax upon the property benefited, and not by the municipality as a whole; thus, bonds issued for the construction of a drainage sewer may be repaid by levying taxes upon the property benefited by such drainage. Usually the locality benefited organizes itself into a district which exists solely for the purpose of financing the proposed improvement and which alone bears the cost. As investments, special assessment bonds lie midway between municipal bonds and promises to pay by private obligors. (See Semi-Municipal Bonds.)

SPECIAL DEPOSITS

See Deposits.

SPECIAL INDORSEMENT

An unqualified indorsement of a negotiable instrument, whereby the indorser makes all the warranties specified in Sec. 66, Uniform Negotiable Instruments Law (Sec. 116, New York Negotiable Instruments Law).

A special indorsement specifies the person to whom, or to whose order, the instrument is to be payable; and the indorsement of such indorsee is necessary to the further negotiation of the instrument. (Sec. 34, Uniform Negotiable Instruments Law; Sec. 64, New York Negotiable Instruments Law.) An example of a special indorsement is: "Pay to the order of A. B. See. (Signed) John Doe." (See Indorsement.)

SPECIALISTS

A name given to a class of stock exchange members—usually floor or room traders—who specialize in a single stock or group of stocks belonging to the same industry. These members become expert in the knowledge of such stocks, and since they are usually on the floor, they derive considerable business from other brokers who place orders with them. They remain at one post and execute orders for other member brokers in stocks listed at that post.

Under rules of the New York Stock Exchange, four classes of specialists have been established: (1) regular specialists, (2) relief specialists, (3) associate specialists, and (4) temporary specialists. No member is allowed to act in the first three capacities unless he is registered with the Exchange, and a Floor Official must authorize a temporary specialist to act as such. The function of the regular specialist, who acts regularly as such, includes in addition to the effective execution of commission orders entrusted to him, the maintenance in so far as reasonably practicable, of a fair and orderly market on the Exchange in the stocks in which he is so acting. Relief specialists take over the "book" of the regular specialist in the latter's absence. Associate specialists assist the regular specialist in handling the "book" but does not solicit orders or assist in the maintenance or stabilization of the market by purchases or sales for his own account. Associate specialists cannot handle the "book" or make any bid or offer unless either the regular specialist or a relief specialist is present. Temporary specialists are appointed by a Floor Official in the event of an emergency or when the volume of business necessitates such help.

The specialist maintains a listing of orders in his stocks in his "book", a record of orders not executable at the time of their receipt. The specialist also deals for his own account at prices at which he has no public orders, thus narrowing the spread between the public bid and asked prices. In some instances, the specialist in an effort to maintain closer markets in his stocks than are provided by public bids and offers, may make both the bid and offer for his own account. Orders in the specialist's book, however, have equal standing with those with a floor broker, as each sale in a stock establishes a new "auction" market in which all orders of the same size have equal rights to the next transaction.

No specialist shall directly or indirectly disclose to any persons, other than a Floor Official or other Exchange official, any information in regard to the orders entrusted to him as a specialist.

Because the specialist trades both as broker and dealer, there is an inherent conflict of interest which the Securities and Exchange Commission has made the subject of intensive study. The New York Stock Exchange rules follow the recommendation of the Commission in providing that the specialist engage in trading for his own account to a reasonable degree under circumstances when lack of price continuity or disparity between supply and demand exists and is reasonably to be anticipated.

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SPECIALTIES

A stock market expression to denote those "special situations" which attract speculative interest. A special situation is a security in which some development peculiar to itself promises profit, regardless of the general market trend. Such situations arise in connection with reorganization, recapitalization, clearance of dividend arrears, special distributions, "break-up" in the case of public utility holding company systems in accordance with the integration provisions of the Public Utility Holding Company Act, etc.

The term is also applied often to secondarily important issues from a speculative standpoint which become particularly attractive for trading purposes.

SPECIE

A general term to denote metallic money—gold or silver coin—as distinguished from paper money and credit instruments (checks, notes, and the like). The term is also sometimes applied to gold and silver bullion. Since January 31, 1934, gold coin is no longer coined or in circulation in the United States.

SPECIE PAYMENTS

Payment in coin and sometimes in bullion, as distinguished from payment in paper money which may be convertible or inconvertible, i. e., not redeemable in coin. Practically all of the banks in the United States suspended specie payments on their notes during the panics of 1814, 1837 and 1857. The greenbacks issued by the United States Government during the war failed to specify a method or time of redemption. Since they are not supported by an adequate metallic reserve and were merely government promises to pay, they greatly depreciated in value. The Specie Resumption Act of 1875, however, provided that the Secretary of the Treasury should, "on and after January 1, 1879, redeem in gold coin the United States legal tender notes outstanding, on their presentation for redemption at the office of the Assistant Treasurer of the United States in the City of New York, in sums of not less than $50." Even before this date, and ever since, United States Notes (Greenbacks) have been maintained on a parity with gold. The Thomas Amendment to the AAA Farm Relief and Inflation Act (May 12, 1933) and the Gold Repeal Joint Resolution of June 5, 1933 made United States Notes

full legal tender for all purposes. (See United States Notes.)

SPECIE POINT

See Gold Points.

SPECIE RESUMPTION ACT

See Specie Payments.

SPECIFIC LEGACY

See Legacy.

SPECIFICATIONS

A term used among foreign exchange clerks to denote the terms applicable to bills of exchange drawn under letters of credit. Letters of credit specify in minute detail the terms which must be followed in drawing bills thereunder, e. g., amount, nature of shipment, terms of draft, expiry date, currency, documents to accompany bill, etc.

SPECULATION

From the Latin speculari, meaning to see, spy out, observe. By derivation, speculation means theorizing or forming conjectures; intuition, vision and reasoning taking the form of systematic analysis; attentive consideration.

This term is used in both a broad and narrow sense. In its broadest sense, speculation is risk-taking, i. e., taking money risks with a prospect of gain, but with a chance of loss. The degree of risk in speculation depends upon how accurately the elements entering into the risk can be scientifically (statistically) calculated, and future developments based upon such calculations can be forecast. Speculation is a necessary, inseparable, integral, non-insurable, and unescapable element in business, and ownership of property, i. e., all business by its inherent nature is a continuous speculation, since many elements cannot be exactly forecast. The term is sometimes specially applied to speculation in which a person engages outside of his usual business undertaking, or else to undertakings which are extraordinarily hazardous. Speculation which is inherent in business may be known as primary speculation since it cannot be avoided. When speculation is incidental to the main business undertaken, for example, stock market operations, it may be called secondary or incidental speculation. An unknown writer says: "All business is uncertain—all business is speculation; the term 'speculation,' however, is commonly restricted to business of exceptional uncertainty. The uninitiated believe that chance is so large a part of speculation that it is subject to no rules, is governed by no laws; this is a serious error."

From a broad economic standpoint, therefore, speculation is a necessary business function in which the speculator (the business man) hazards his money for the sake of profit. Profit is the reward for taking the risk of uncertain future developments, which are uninsurable. When speculative risks are borne by the professional class who are in a position to calculate the uncertain elements within reasonable limits of error, and who can protect themselves against disastrous losses by an understanding of speculative principles (technique of the market, business barometers, hedging, options, etc.), society gains because the cost of taking these risks is thereby reduced.

In a narrower sense, the term applies to what has been previously defined as incidental speculation. H. S. Martin (New York Stock Exchange) says: "Speculation is also called by the name of the article speculated in, such as a business speculation, real estate speculation, cotton, grain, wool, sugar, stock, coffee, produce, or other speculation. When speculation in any one of these commodities is engaged in, a highly specialized type of professional speculation is developed and in modern business organizations professional speculators trading in these commodities are numerous."

Attempting to defend speculation, a stock exchange broker has pointed out:

"The success of every undertaking, whether in business, finance or social life, is dependent upon the reflex action of speculation, and life itself is the greatest speculation of all. If we know speculation for what it really is, we shall recognize it as one of the most valuable words in the language, for it holds out not only untold vision and unlimited possibilities, but it carries us mentally beyond the circumscribed horizon of daily activities into that utopia of today which inevitably becomes the reality of tomorrow. History is full of speculators. We owe our country itself to one of the greatest of them all—Columbus. History further tells us that the crown jewels were, in this instance, used as collateral, although the renewal rate seems lost in the mist of the ages. The Father of our Country, George Washington, one of the most successful speculators of his day, found honor and prestige in its use; and our own Lindbergh, the super-speculator of all, who hopped off alone across an unsympathetic Atlantic with an idea and a sandwich, carried the future of aviation through the mirage of doubt into the reality of success. Remember that almost everything starts as a speculation. An investment is nothing but a speculation successfully confirmed, and as long as men live and brains function, speculation must be our moving force."

Differentiated from Gambling.—Due to the losses arising in speculative commitments, especially by the uninitiated who engage in secondary speculation without a knowledge of its principles, speculation is sometimes confused with gambling. Strictly, however, gambling is based on pure chance without the use of intelligence or foresight; no result is accomplished and what one man gains another man loses. Gambling involves an unnecessary, artificial, avoidable, or "synthetic" risk, such as wagering money on some future, fortuitous event, without any necessary relation to the acquisition or disposal of property.

Speculation differs from gambling in that it implies taking risks which are subject to analysis, interpretation, and measurement, and thus become amenable to scientific forecast. Necessary speculation is a productive economic function since it must be borne by business men as a class in overcoming the uncertainties of the future, especially with reference to price changes. A person who speculates in business or in stock or commodity transactions without being fortified by knowledge, judgment and experience, however, is akin to a gambler because he "goes it blindly."

Differentiated from Investment.—Speculation and investment are also often confused. The line of demarcation between these two terms is difficult to draw since

they are customarily used in a loose rather than a technical sense.

In brokerage circles it is commonly assumed that a security purchased with the intention of holding it permanently is an investment, whereas one purchased with the intention of selling it as soon as a favorable opportunity occurs is a speculation. It is also generally supposed that securities purchased on margin represent speculative commitments as contradistinguished from securities purchased outright which represent investments. These are loose popular acceptances of the terms, and are not scientifically accurate.

Technically, the distinction between investment and speculation rests upon the degree of safety of the capital sum committed. In an investment, the relation between the original money outlay and the final return is certain and stipulated in a contract, e. g., the secured bond of a responsible debtor. The owner of a bond possesses an enforceable contract with assets often placed as security in which the debtor promises to pay a stipulated sum of money at a certain rate of interest on a definite maturity date. A contractual relationship exists between the bondholder and debtor in which the present and future terms of the debt are fully set forth. In speculation, however, the relation between the original outlay and final return is uncertain, e. g., a business, shares of stock, farm, oil lease, foreign exchange, patent, merchandise bought for resale, etc. A share of stock is a speculation because it is not a contract to pay a definite sum, and has no maturity. Its value may rise; or it may fall and even become worthless. This technical concept of speculation is ably defined by A. C. Whitaker (Foreign Exchange) thus: "The assumption of risk involved in the making of an outlay in money (or money's worth), or the committing of one's self to make such an outlay in the future (whether the commitment be absolute or conditional), for a return in money, or its worth, in any instance where the relation or proportion between the outlay and return is uncertain. Outlay may be certain and return uncertain, or reversely, or both may be uncertain."

Because of high margin requirements and lessened public participation, the stock market in most recent years at times has been marked by less speculative interest than in commodity markets, but both stock markets and commodity markets have their established speculative clientele. To speak in Wall Street terms, speculation is engaged in by four classes: professional speculators (usually members of the exchange), amateur speculators, investors, and the public. Some of the factors which a successful stock speculator must give attention to, are: (1) relationship of current prices of individual stocks to their fluctuating range; (2) relationship of current prices to market averages; (3) relationship of the time of commitments to the stage in the business cycle; (4) general business conditions as shown by business barometers; (5) particular conditions in the corporations in whose securities commitments have been made; (6) money rates and credit conditions; and (7) technical position of the market.

For further information upon the principles of stock trading, see Business Barometers, Business Cycle, Business Forecasting Services, Fluctuating Principle, Fundamental Conditions, Industrial Stocks, Investment, Gambling, Market Average, Market Sentiment, Mining Securities, Security Analysis, Speculative Cycle, Wall Street.

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SPECULATIVE CYCLE

A period of rising security prices followed by a period of falling prices and definitely related to the Business Cycle (q.v.). A wave covering a number of years in which security prices pass through a peak and valley, i. e., a successive major upward and downward swing. A speculative cycle is popularly described as possessing three stages. After a bear market and prices have reached bottom there is a period of accumulation during which prices of stocks move forward very gradually. This is the first stage. The second stage is that in which the leading barometers indicate a return to normal conditions, ultimately leading to prosperity. This is called the period of advance, and is characterized by active bidding up of security prices. The third and last stage is that of distribution. During this stage business is at boom proportions, but credit becomes tight and interest rates rise. Insiders, ex-

perienced speculators, and large financial interests sell their stocks while prosperity is at its height and prices are still high, knowing that the period of prosperity must finally collapse and give way to depression.

Stock movements may be classified as (1) primary or cyclical—the major trend movements occupying a period of years and comprehending a complete cycle including a bull and a bear market; (2) secondary—the minor or intermediate swings of weeks' or months' duration in which reactions in a bull market and rallies in a bear market are distinguishable; and (3) tertiary—the superficial daily ripples ruffling the surface of the secondary waves as the secondary waves are superimposed on the primary tides. The primary movements have their source in economic fundamentals, the secondary movements are chiefly technical but economic in part, while the tertiary movements are almost wholly technical. It is with the secondary and tertiary movements that the student of technical action is mainly concerned.

The high and low points of the speculative cycles in the United States 1903 to 1932 are given in the following table:

Low	High
October 1903	February 1906
November 1907	September 1909
August 1910	October 1912
January 1915	December 1916
December 1917	November 1919
August 1921	February 1926
March 1926	September 1929
July 1932	

From 1887 to 1929, market peaks were reached in the following years: 1887, 1890, 1893, 1895, 1899, 1902, 1905-1906, 1912, 1916, 1919, 1923, 1926 and 1929. Bottoms were reached in the following years: 1884, 1887, 1890-1891, 1893, 1896, 1900, 1903, 1907, 1910, 1914, 1917, 1920, 1923, 1926 and 1932. From bottom to peak as above, the following lapses of time in years, respectively: 3, 3, 2 1/2, 2, 3, 2 1/2, 2 1/2, 2, 2, 2, 2, 2, 3 and 3. The average period from bottom to peaks has been 2 1/2 years. From bottom to bottom we find lapses of time in years, respectively as follows: 3, 3 1/2, 2 1/2, 3, 4, 3, 3 1/2, 4, 3, 3, 3, 3, 3, and 6. The average time has been 3 1/4 years. From peak to peak: 3, 3, 2 1/2, 4, 3, 3 1/2, 3 1/2, 3, 4, 3, 3 1/2, 3 1/2, and 3. The average has been 3 1/4 years. (See Business Cycle, Business Forecasting Services, Swings.)

SPECULATIVE INVESTMENTS

Securities which are not entitled to an investment rating because of unstable characteristics either as to earning power, equity position, or outlook. In an upswing of the speculative cycle, however, speculative securities command major attention and interest for traders interested in short term price appreciation, as at such times speculative developments are favorable for such securities. (See Speculation.)

SPECULATOR

A person who engages in the practice of risk-taking. One who hazards his money, effort and time in the taking of risks of speculation, for the purpose of gain. (See Speculation.)

SPLIT

The execution of an order in two or more parts at different prices, e. g., an order to sell, 2,000 shares might be executed on two different days in lots of 1,000 shares at different prices, due to the inability of finding a market at suitable prices on one day.

(See Split-Up.)

SPLIT OPENING

A term used among stock exchange brokers to denote a rather wide difference in the price of a stock occurring immediately at the opening. This sometimes happens when important news concerning a stock is released over night. For example, U. S. Steel might have an excited opening and sales at different parts of the trading post might occur simultaneously at different prices, say 83 to 84. If 5,000 shares were sold at the opening gong at from 83 to 84, the ticker would report 50X 83-84. An odd lot order would be based on the average price, say 83 5/8.

SPLIT ORDER

See Split.

SPLIT PROOF SYSTEM

Same as Block System (q. v.).

SPLIT QUOTATIONS

Those quotations in variations of less than the standard variations fixed for securities traded in on the New York Stock Exchange. Such split variations may be fixed by the Exchange for bids and offers in specific issues or classes of securities.

The standard variations in bids and offers are as follows: (1) In stocks above $1 per share, not less than 1/8th of $1 per share; (2) In stocks below $1 but above 1/2 of $1 per share, not less than 1/16th of $1 per share; (3) In stocks below 1/2 of $1 per share, not less than 1/32nd of $1 per share; in corporate bonds, not less than 1/8 of 1% of the principal amount; in bonds of the United States, Puerto Rico, the Philippine Islands, the States, Territories and Municipalities of the United States, and securities guaranteed by the U. S. Government as to principal and interest, not less than 1/32nd of 1% of principal amount. Bonds which have been redeemed or repaid in part are designated as "part-redeemed" bonds, and bids and offers are on the basis of a percentage of the original principal amount. (See Bid and Asked Quotations, Bids and Offers, Methods of Trading.)

SPLIT-UP

Increasing the number of shares of a corporation by some round-number multiple; dividing each existing share of a corporation into a number of new shares of reduced par or stated value. For example, a corporation with 100,000 shares of common capital stock of $100 par value each might be split up into 400,000 shares of $25 par value each. This would be a 4 to 1 split-up. Or, if the stock was no par value, the stated value per share of the new shares would be reduced on the books to 25 per cent. of the former figure. A stock split-up, like a non-taxable stock dividend, does not imply any actual distribution to stockholders. It is essentially a bookkeeping transaction, and the stockholders' equity in the assets and earnings of the corporation remain as before. The additional shares received in a

stock split-up are in no event to be considered as income.

The chief purpose of a stock split-up is to reduce the market value of a stock to make possible a wider ownership. A stock selling at $200 per share finds a more limited market than one selling at $50 a share. To achieve a broader distribution of its shares, and greater stability in its quotations, the directors of a corporation are justified in ordering a split-up, since it brings this corollary advantage. The importance of a stock split-up is usually over-emphasized by speculators, although frequently it is true that the total market value of the shares after a split-up is greater than before the split-up. Normally, the dividend after a split-up is reduced in proportion to the split-up.

A stock split-up differs in a number of respects from a stock dividend. As heretofore explained, a stock split-up is an actual division of each existing share into a number of parts, each of which is thereafter considered to be a full share. Such a division involves an actual reduction of the par value or stated value of the stock. From an accounting standpoint a stock split-up affects the capital account only. On the other hand, a stock dividend involves a capitalization of earned surplus and a maintenance of the old par or stated value.

Thus, if a company has 100,000 shares of $100 par stock and declares a two-for-one split-up, the capital account thereafter shows 200,000 shares of $50 par stock. But if a 100 per cent. stock dividend is declared instead, the 200,000 shares would remain at $100 par each, and it would be necessary to transfer $10,000,000 or $100 for each of the new 100,000 shares, from the surplus to the capital account.

If, however, this surplus of $10,000,000 also existed in the case of the split-up the position of the investor, as regards earnings and asset value per share, would be the same in both cases, since his new stock in either case reflects the earning power and asset value of the surplus whether or not the latter is capitalized. Thus, the difference between a split-up and a stock dividend, from this standpoint, is largely a matter of accounting. In the case of a stock dividend, the old dividend rate is usually maintained, whereas in a split-up, the dividend rate is usually reduced in proportion. (See Stock Dividend.)

SPONSORSHIP

A term used in speculation to denote the banking house, or otherwise, which has an interest in the price at which a particular issue sells. This interest may be the company's banker, the original underwriters, etc. Speculators speak of a stock as having good or bad sponsorship in accordance with its market behavior.

Few listed stocks are so friendless as to be without a godfather. Virtually every important issue is sponsored by a group (investment banking house, investment company, brokers or dealers) interested in the stock, etc. Sponsorship varies in financial power, but is designed to protect the stock against neglect or inactivity of the stock in order to maintain a price in consonance with its warranted value. The sponsors are in close touch with the company's progress and normally are assisted in their efforts by cooperation of the issuer in policies and publicity.

Active sponsorship thus gives rise to support points on declines and resistance points on advances. The sponsors have in mind a minimum price at which their stock should sell under a given set of market conditions, and are prepared to purchase at such a price should it drop thereto. The support points are usually provisional, since market conditions may become unfavorable, and it is a fundamental rule of finance not to peg a price, regardless of the resources of the supporters, when conditions become adverse. Should large quantities of the stock come on the market, the original support level is dropped to a lower point, and under circumstances of serious financial stress, as in a major decline, support may be entirely abondoned.

SPOT

An adjective which is used in connection with foreign exchange, and commodities, e. g., grains, cotton, sugar, coffee, etc., indicating trading for immediate, as distinguished from future, delivery. In grain trading, the "spot" price is called the cash price. Most commodity exchanges maintain spot markets in addition to futures trading. (See Futures.)

SPOT CASH

Immediate cash available or given for a purchase involving immediate delivery.

SPOT PRICE

Cash price; a price quoted for commodities, including foreign exchange, which are ready for immediate delivery for cash, as distinguished from the price quoted for futures, i. e., commodities for future delivery.

SPOT SALE

A sale in which cash is paid for immediate delivery, as distinguished from a future sale.

SPOTTED

An expression used to describe stock market prices when a certain few securities advance or decline, although the majority show no definite trend, but rather remain stationary. The securities which are conspicuous for resisting the trend, or which show a counter movement are called market spots.

(See Hard Spot, Soft Spot.)

SPOTTY

See Spotted.

SPREAD

This term has two meanings:

(1) The difference between the bid and asked price of a security. This may be "narrow" or "wide," depending upon the supply and demand of the particular issue and the activity of its market.

(2) A combination of a put and a call, by which the purchaser has the privilege of "putting" at one price, or "calling" at another price a certain security or commodity stated in the contract, within the contract period. A Straddle (q.v.) is similar to a spread except that the put and call prices are the same.

SPREADING (SPREADER)

As applied to grain, spreading is arbitraging in an attempt to secure a profit by closing of the spread, or price difference, existing (1) between the future deliveries of the same grain (or other commodity), as, for example, October and May wheat; (2) between the

same grain in different markets, as, for example, wheat in Winnipeg and Chicago; and (3) between two grains, e. g., corn and wheat, in the same market. Spreading may also be defined as consisting of the purchase of a futures contract for a certain amount of a particular cereal in a certain position, and the simultaneous sale of an identical amount of that or some other cereal in the same or another position.

In the case of position spreading, a certain grain future is bought in one market and sold in another. For example, May wheat is bought in Winnipeg and sold in Chicago simultaneously and in equal amounts. The purpose of this operation is to realize a profit; and the impelling motive is the belief that wheat is relatively cheaper in Winnipeg and dearer in Chicago than it should be, due to conditions which the spreader believes temporary.

In addition to the spreads mentioned above, there is more or less constant spreading going on among Minneapolis, Kansas City, Duluth and Chicago all the time. Minneapolis represents a spring wheat market and naturally reflects the supply-and-demand situation in spring wheat territory. Should there be an acute shortage in the spring wheat crop it is logical to expect that Minneapolis futures will command a premium over Chicago.

The second class of arbitraging relates to the time element rather than to position, or inter-market, operations. The relation between nearby and deferred futures within the same market is a most important one, and attracts many spreaders who do not care to risk the hazards of inter-market commitments. Broadly speaking, the existence of liberal stocks of grain in terminal markets, particularly when the grades are applicable to delivery on futures contracts, results in carrying charges. By that is meant a premium for deferred months over nearby.

In summarizing the functions of the spreader and the economic reasons for his existence, it is apparent that his operations serve the purpose of eliminating, or at least modifying, the tendency toward run-away movements of any particular positions, out of line with commercial surroundings. This prevents the development of uncommercial situations, eliminates criticisms of manipulation and makes it possible to carry on merchandising operations smoothly and economically.

SPURT

An expression used to denote a sudden and appreciable advance in stock or commodity market prices achieved by a series of fractional movements rather than by jumps of a point or more.

SQUEEZE

An expression used to refer to the condition when short sellers are forced to cover their contracts at a loss, due to rising prices, fearing that prices will mount higher.

A money squeeze refers to a temporary shortage in the supply of loanable funds accompanied by difficulty in borrowing and marking up of interest rates.

STABILIZATION FUND

A fund of $2,000,000,000 created under Section 10 of the Gold Reserve Act of 1934 (q.v.), and appropriated out of the profits from devaluation of the dollar which was formally proclaimed by Executive order on January 31, 1934 (as authorized by law). At this time the gold dollar was devalued from 25.8 grains nine-tenths fine to 15 5/21 grains nine-tenths fine. By this action, the Government achieved an initial profit from its gold holdings of $2,808,512,060, but this was later increased as gold was turned back to the Treasury from private hoard. The fund was to be deposited with the Treasurer of the United States and to be under "exclusive control of the Secretary of the Treasury, with the approval of the President whose decisions shall be final and not to be subject to review by any other officer of the United States."

The stabilization fund was not actually set up on the Treasury books until April 30, 1934. This was done by a simple bookkeeping entry by which $2,000,000,000 was transferred from the account of "Gold in General Fund" to "Exchange Stabilization Fund (Special A/C No. 1). The fund was split into two portions, the inactive portion of $1.8 billion being reported in the total monetary gold stock of the country. The purposes of this fund are: (1) to stabilize the exchange value of the dollar; (2) to deal in gold, foreign exchange, and securities; and (3) to invest and reinvest in direct obligations of the United States. Any earnings and interest accruals from the operations of the fund are to be added to and to become available for the purposes of the fund.

With passage of the Bretton Woods Agreements Act in 1945, adopting the International Monetary Fund and the International Bank for Reconstruction and Development, the Act directed the Secretary of the Treasury to use the inactive portion of the Stabilization Fund, $1.8 billion, to pay part of the subscription of the United States to the Fund.

Reports on operations of the active portion of the Stabilization Fund have been from inception irregular and on a delayed basis, because of the nature of operations.

STABILIZED DOLLAR

A name given to a theoretical dollar having constant purchasing power by Professor Irving Fisher of Yale University in his book entitled "Stabilizing the Dollar." The theory of the stabilized or compensated dollar is to convert the present gold standard into a true commodity standard, i. e., to standardize the dollar as a unit of purchasing power. Instead of a gold dollar having a constant weight and varying purchasing power, there would be a gold dollar of constant purchasing power and varying weight.

The proposed method by which this plan would become effective is to increase the weight of the gold dollar to compensate for its depreciation in purchasing power. The degree of change in purchasing power would be ascertained by a reference to carefully prepared Index Numbers (q. v.). Under this plan gold coins would be relegated to the status of token coins which would entitle the holder to a varying quantity of gold bullion. Appraisals of changes in the value of money would be made by reference to index numbers quarterly or annually.

The chief criticisms directed against the stabilized dollar plan are: (1) The increase in gold is only one of the causes of higher prices; (2) the plan would destroy the function of price since price fluctuations are guides to production and consumption; (3) it would not prevent sharp fluctuations from week to week which are more dangerous than a general trend upward or downward

since in the latter the general scale is maintained; and (4) difficulty of administration. (See Money.)

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STAGNATION

An expression describing the condition on a stock exchange, or in general business, when volume is small and trading inactive.

STALE CHECK

A check must be presented for payment within a reasonable time after its issue or the drawer will be discharged from liability thereon to the extent of the loss caused by the delay (Sec. 186, Uniform Negotiable Instruments Law, Sec. 322, New York Negotiable Instruments Law). Banks usually refuse to honor checks more than six months old, as stale checks, although the term "reasonable time" is subject to construction. In ordinary business practice, checks should be presented promptly upon receipt for collection, as otherwise delay may entail the presumption of irregularity. (See Check)

STAMP TAX

Revenue taxes are levied on foreign bills of exchange by most countries. The rate on checks is usually nominal and the rate on sight bills is always lower than on time bills.

Transfer of title to certificates of stock is taxed by the Federal Government and the States. The duty of affixing stock transfer stamps is imposed on the seller by the New York State Tax Law (Secs. 270-281a). If the stock transfer stamps are not affixed, the certificate cannot be used in evidence in any action arising out of the transfer (except action by the State to enforce the tax liability); and if the seller has breached any of the warranties given under the Uniform Stock Transfer Act, the buyer who has not paid the seller in full, may nevertheless under the Tax Law sue the seller for breach of warranty. (See Stock Transfer Tax.)

STAMPED SECURITY

A bond or stock which has been stamped at some time subsequent to the original issuing date to show some change in its status—a new condition to which it is subject, or privilege to which it is entitled. It implies an addendum to the original agreement for the purpose of reinforcing the security or otherwise. Extended Bonds (q. v.) are very often stamped.

Sometimes the term is used to apply to securities which are subject to a stamp tax and on which such tax has been paid.

STANDARD BULLION

Gold or silver bullion having precisely the same composition as gold or silver coins, i. e., bullion ready for coinage without refining. Standard bullion consists of 900 parts of pure gold or silver and 100 parts of copper alloy, i. e., gold or silver nine-tenths fine. Until 1933, the statutory value of an ounce of coinage gold was $20.67134+; of standard gold $18.60465. By Presidential decree, and under the Gold Reserve Act of 1934, the statutory value of an ounce of pure gold became $35. The statutory coinage value of an ounce of silver is $1.2929+; of standard silver, $1.1636. (See Coinage, Mint, Price of Gold.)

STANDARD MONEY

The money selected by a government to serve as the basis of its currency system. Standard money has three fundamental characteristics: (1) freely coined by the Government mint for private citizens without limitation as to quantity; (2) full and unqualified legal tender value in payment of all debts; (3) full bullion value, i. e., the metal or bullion value is identical with the coin value (except in countries which charge seigniorage). Gold is the standard money of the leading commercial nations, although silver is still used by China, India, and a few other countries.

Under bimetallism, the coins manufactured from two metals circulate concurrently as standard money, usually gold and silver. Bimetallism has been abondoned by all the countries which have tried the experiment. (See Bimetallism, Gold Standard, Monetary Unit, Standard of Value.)

STANDARD & POOR'S CORPORATION

The largest statistical service organization in the United States on securities, representing a merger of the Standard Statistics Company and Poor's Publishing Company. The many services provided are summarized in Manuals (q.v.).

STANDARD OF VALUE

One of the functions of money is to serve as a standard of value, i. e., a common denominator, or yardstick for determining the amount of another commodity which may be commanded in exchange. For instance, when a bushel of wheat sells for $1, it exchanges for 15 5/21 grains of gold nine-tenths fine. To serve as a good standard of value, a metal must not only have intrinsic value in itself, but stability of value in order to prevent undue fluctuations in the price level. Gold answers these requirements probably better than any other commodity, although not perfectly, since it is a commodity of universal acceptability and normally its fluctuation in value is slight. (See Gold Standard, Monetary Unit, Standard Money.)

STANDARD OF WEIGHT AND FINENESS

See Present Standard of Weight and Fineness.

STANDARD STOCKS

Tested or seasoned stocks; stocks of well-known companies having large assets, demonstrated earning power, a long dividend record, and a skillful and conservative management. The term has reference to stocks, the values of which, though influenced by current earnings, are relatively stable, being subject to only moderate fluctuations.

STANDARDS YEARBOOK

See National Bureau of Standards.

STANDSTILL CREDITS

The term applied to the short term bank credits tied up in German paper under the "Standstill Agreements" effected by Germany with banking creditors in the United States, England and other countries following the collapse of German credit beginning in 1930. These

foreign banking investors had been attracted to the German short term paper by the relatively high interest rates. Under the Standstill Agreements, principal payments and lowered interest rates were provided for, but despite such collections over extended periods, most American banks found such German credits an additional source of charge-offs.

STATE BANK

A bank operating under a charter granted by one of the states, as distinguished from trust companies and savings banks, which though organized under state laws, conduct a different type of business, and from National banks which operate under charters issued by the Comptroller of the Currency. State banks, like National banks, are organized primarily for conducting a general banking business and together constitute the class of banks generally known as commercial. The state banking laws are modeled after the National Bank Act and grant approximately the same powers, but the regulations, generally speaking, are not quite so stringent. In order to exhibit the relative advantages of state and National banks, the following comparisons are offered:

(1) No National bank can be organized with less than $50,000 capital. In some states, a state bank can be organized with a capital of $10,000, thus making it possible for a small town to secure banking facilities when conditions would not justify a National bank.

(2) State banks are not permitted to issue circulating notes without the payment of a 10 per cent. tax, which is prohibitive.

(3) Restrictions upon loans are less rigid in the case of state banks; some state banks may loan more than 10 per cent. of their capital and surplus to one customer, and almost without exception are permitted to loan a higher percentage upon the appraised value of real estate than are National banks. Banks of some States are permitted to make second mortgages, while National banks are not.

(4) Both are subject to examination; National banks by the Comptroller of the Currency, and state banks by the State Banking Department (q.v.).

(5) National banks are required to join the Federal Reserve System, where reserves must be kept without earning interest. They must also accept checks drawn upon them and received from out of town points, at par. Entry of state banks into the Federal Reserve System is optional. If not members, they are not required to accept checks drawn upon them at par.

As of June 30, 1948, there were 7,794 State non-member banks, including 532 mutual savings banks, as compared with 6,925 member banks.

STATE BANK EXAMINERS

See Bank Examiners.

STATE BANKING DEPARTMENT

Each state has created a department, usually known as the State Banking Department, charged with the execution of the laws relating to the various types of banking institutions located in and chartered by the state. In most states, including New York, the chief officer of this department, usually appointed by the governor, is called the Superintendent of Banks. In other states he is known by various titles, e. g., "Commissioner of Banking" (Massachusetts), "Auditor" (Illinois), "Commissioner of Banking and Insurance" (New Jersey).

The superintendent or head of the banking department is under bond and is authorized to appoint such deputies, examiners and clerks as may be necessary to carry out the duties imposed upon him. The principal duties of the department are: (1) to examine all banks chartered by the state as often as required by law (usually twice a year); (2) to pass upon applications for charters from petitioning organizers; (3) to terminate, liquidate and distribute the assets of any bank which may become bankrupt, as prescribed by law. The expenses of the department are usually defrayed by assessments upon the banking institutions examined.

STATE BONDS

A sub-classification of civil bonds; bonds which are the obligations of a State, as distinguished fron bonds of the Federal Government, and bonds of such political subdivisions as cities, counties, districts, etc. In most States, voluntary restrictions and limitations upon borrowing have been written into the State Constitutions. Some of these restrictions may require approval by referendum of the people for large issues. State bonds, like Federal Government bonds, may be paid out of the general revenues, and it is not necessary to levy a special tax for their payment.

Like the Federal Government, however, a State, being a sovereign power, cannot be sued by an individual or private corporation against its consent. Theoretically, therefore, a State may repudiate its debts, and an investor has no means of enforcing payment. In early periods of our history some of the States repudiated their bonds and for this reason State bonds are to some extent still in disrepute. (See Repudiation.) In recent years, however, the investment value of State bonds has become generally admitted—even the bonds of those States formerly guilty of repudiation.

Several means have been adopted by a number of the States to strengthen their credit and develop a better market for their issues. One means is to place a provision in the bond contract which makes them suable in case of default. Wherever the State Constitution provides this sanction, the uncertainty of the ultimate payment of State bonds is removed.

Another means of enforcing payment is through a contractual provision to levy certain taxes for the payment of the principal and interest on the bonds. Since the Federal Constitution prohibits a State from passing legislation impairing the obligation of a contract, and a debt constitutes a contract, a State official—comptroller for instance—may be sued to enforce the levying of a tax to raise funds for the payment of the debt.

The tendency of public expenditures is in the direction of increase of city rather than of State. The amount of of State bonds outstanding is therefore relatively small in comparison with Federal Government and municipal issues. In most cases, a debt limit is provided.

By a Supreme Court decision, State bonds are exempt from Federal taxes. They are also usually exempt from State and local taxes to holders within the State of issue.

STATE COMPTROLLER

An officer of a state whose purpose it is to supervise and control its fiscal operations. In connection with the banking system, it is usually his function to approve the bond of the Superintendent of Banks and to designate depositaries for trust funds and moneys paid into court.

STATED VALUE

The value at which the total common stock, and sometimes both preferred and common stock capitalizations are carried on the books of a corporation, wherever such stock is issued without a nominal or par value.

Under Sec. 12 of the New York Stock Corporation Law, which authorizes the issuance of no par value stock, the certificate of incorporation shall include either one of the following statements. (1) "The capital of the corporation shall be at least equal to the sum of the aggregate par value of all issued shares having par value, plus .....dollars (the blank space being filled in with some number representing one dollar or more) in respect to every issued share without par value, plus such amounts as, from time to time, by resolution the board of directors, may be transferred thereto." (2) "The capital of the corporation shall be at least equal to the sum of the aggregate par value of all issued shares having par value, plus the aggregate amount of consideration received by the corporation for the issuance of shares without par value, plus such amounts, as from time to time, by resolution of the board of directors, may be transferred thereto." Thus, under either statement, the board of directors has the power to fixed the Stated Value of the no par value stock for capital account purposes. Under Sec. 36 of the Stock Corporation Law, which authorize capital changes, new shares of any class, with or without par value, or reclassification of existing classes, with or without par value, may be issued. (See No Par Value Stock, Without Par Value.)

STATEMENT

This term has two applications:

(1) A statement of condition, or balance sheet. (See Balance Sheet, Bank Statement.)

(2) See Statement of Account.

STATEMENT ANALYSIS

A term used by bank credit men in reference to that part of the process of measuring a credit risk which is determinable through an analytical study of its balance sheets, and in particular comparative balance sheets taken over a period of years. In modern scientific credit granting, a prospective commercial borrower is required to submit his financial statements in order that the business and property risks can be measured, i. e., to determine whether the property values therein indicated and the profits which such property yield, form an adequate basis for securing the proposed loan.

When statements are received by a bank, they are first placed in analysis form on "statement comparison sheets." By comparing one period with another the rate of growth or retrogression, and changes in separate assets, liabilities, and equities, can be shown. Actual conclusions are arrived at after a thorough study of the separate items on the statement, and a scrutiny of the various balance sheet tests, e. g., current ratio, ratio of current assets to total liabilities, merchandise turnover, account turnover, etc. (See Account Turnover, Current Ratio, Merchandise Turnover, Ratio of Current Assets to Total Liabilities, Ratio of Debt to Net Worth, Ratio of Fixed Assets to Net Worth, Ratio of Merchandise to Receivables, Ratio of Net Profits to Net Worth.)

STATEMENT COMPARISONS

See Statement Analysis.

STATEMENT DEPARTMENT

The department of a bank or other financial institution that has charge of the preparation and forwarding of customers' statements of account. In modern banking, statements of account are rendered in two ways, balancing pass books or by the statement system, but the latter is nowadays practically universal. Statements are duplicates of the ledger accounts except that all entries are shown in detail.

In many banks, statements are prepared on billing machines (combination typewriters and adding machines), which are provided with counters or registers that automatically record and print additions and subtractions with resulting balances. The debits are posted to the statements in complete detail, each separate check drawn by the depositor and each charge ticket or other posting medium being listed thereon. Likewise, each credit whether posted from a deposit slip, letter, credit ticket, or other posting medium, is listed.

The statement department may be considered a part of the individual bookkeeping department. Wherever separate clerks operate the ledgers and statements, it is necessary that they verify their work frequently, and always before statements are forwarded to customers. (See Statement of Account, Voucher Department.)

STATEMENT OF ACCOUNT

A continuous daily posted record, showing in detail all debits and credits, and balance as of the close of the period, usually one month, rendered by a commercial bank, broker, or other business, to its customers. These accounts give dates and descriptions, and permit the customer to verify the bank's record with his own. If differences occur, they can then be investigated by reporting back through the reconcilement blank usually enclosed with the statement. (See Reconcilement of Accounts.)

STATE STREET

The street in Boston where most of the financial institutions are located, and by extension, a popular name for financial Boston.

STATISTICAL DEPARTMENT

In a bank, the statistical department usually known as the Analysis Department (q. v.), analyzes accounts to determine whether or not they are profitable, or the extent to which they are profitable.

In an investment or brokerage house, a statistical department is maintained as a service department in aid of salesmen and customers. It is this department that studies and prepares the statistical data that is furnished with prospectuses, bond and stock circulars, and other advertising material. The work of this department oftentimes embraces a wide field of investigation with a view of assisting the house and its clients to make intelligent decisions in their investment selections. (See BankCost-Accounting.)

STATISTICAL SERVICES

See Bond Ratings, Business Forecasting Services, Manuals, Mercantile Agencies, Moody's Investors Service, Standard & Poor's Corp.

STATISTICS

Mathematical methods as applied to business and the social sciences. (See Bank Cost-Accounting, Budget,

Business Barometers, Index-Numbers, National Budget.)

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STATUTE OF LIMITATIONS

In all jurisdictions, as an incident of the right to sue on a cause of action, there is specified usually a statute of limitations on the action, either substantively, as an integral part of the cause of action itself, or adjectively, as merely procedural. The statute of limitations specifies the time within which the action may be brought or during which the right must be enforced, or otherwise the cause of action or right is barred from legal enforcement.

The various statutes of limitations vary among the 49 sovereign jurisdictions of the United States (Federal Government and the 48 States), as well as among the various types of actions. The following table summarizes the statutes of limitations among the various States for actions on promissory notes, open accounts and ordinary contracts:

State	Promissory Notes Years	Open Accounts Years	Ordinary Contracts Years
Alabama	6	3	6
Arizona	6a	3	3 Oral; 6 Written
Arkansas	5	3	3 Oral; 5 Written
California	4b	4	2 Oral; 4 Written(c)
Colorado	6	6	6
Connecticut	6d	6	3 Oral; 6 Written
Delaware	6	3	3
District of Columbia	3	3	3
Florida	5	3	3 Oral; 5 Written
Georgia	6	4	4 Oral; 6 Written
Idaho	5	4	4 Oral; 5 Written
Illinois	10	5	5 Oral; 10 Written
Indiana	10	6	6 Oral; 10 Written
Iowa	10	5	5 Oral; 10 Written
Kansas	5	3	3 Oral; 5 Written
Kentucky	15e	5f	5 Oral; 15 Written
Louisiana	5	3	10
Maine	6	6	6
Maryland	3	3	3
Massachusetts	6g	6	6
Michigan	6	6	6
Minnesota	6	6	6
Mississippi	6	3	3 Oral; 6 Written
Missouri	10	5	5
Montana	8	5	5 Oral; 8 Written
Nebraska	5	4	4 Oral; 5 Written
Nevada	6	4	4 Oral; 6 Written
New Hampshire	6	6	6
New Jersey	6	6	6
New Mexico	6	4	4 Oral; 6 Written
New York	6	6	6
North Carolina	3	3	3
North Dakota	6	6	6h
Ohio	15	6i	6 Oral; 15 Written
Oklahoma	5	3	3 Oral; 5 Written
Oregon	6	6	6
Pennsylvania	6	6	6
Rhode Island	6	6	6
South Carolina	6	6	6
South Dakota	6	6	6
Tennessee	6	6	6
Texas	4	2	2 Oral; 4 Written
Utah	6	4 Oral; 6 Written	6
Vermont	6j	6	6
Virginia	5	3	3 Oral; 5 Written
Washington	6	3	3 Oral; 6 Written
West Virginia	10	5	5 Oral; 10 Written
Wisconsin	6	6	6
Wyoming	10	8k	8 Oral; 10 Written

Notes:
a--4 years on promissory notes executed outside the State.
b--On corporation notes.
c--Also on book account or stated account.
d--17 years on non-negotiable promissory notes.
e--5 years if note is "placed on the footing of a bill of exchange."
f--On merchant's account, 5 years from Jan. 1st next succeeding the dates of time of delivery of the articles charged in the account.
g--20 years for bills, notes or other evidence of indebtedness issued by a bank, and promissory notes with attesting witnesses as against original payee or his Executor or Administrator.
h--20 years on contracts affecting real property.
i--15 years on written contracts.
j--14 years if note is witnessed.
k--5 years on foreign claim arising before debtor acquired residence in State.

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STEADY

A stock market expression to denote that prices generally, or for a certain group of stocks, are firm and show little fluctuation.

STEAGALL COMMODITIES

In price support operations under the parity program for agricultural commodities, the so-called Steagall commodities are those added by the Steagall Act to the program: hogs, eggs, chickens (certain exceptions), milk, butter-fat, flaxseed, soybeans and peanuts for oil, potatoes and cured sweet potatoes, American-Egyptian cotton, turkeys, dry peas and edible beans of specified varieties. The six basic commodities for price support under the parity program are: cotton, wheat, corn, tobacco, rice and peanuts (used as nuts). (See Basic Commodities, Parity Index, Parity Price.)

STEAMER DATE

A term used among foreign exchange dealers to denote the time of departure of the next steamer carrying mail to the foreign port in question. The steamer date is important in calculating the probable time required for transmitting a foreign check, bill of exchange, or letter of credit, to a given point abroad. Market bills (large bankers' bills dealt in between banks) are usually payable to the seller on the steamer date.

STEEL

The most important of commercial metals, and one of the most important basic industries of the United States and other leading industrial nations. To development of the "heavy" steel industry may be credited the expansion in capital goods and manufacturing capacity, growth of cities, and development of the railroads which characterized the country's economic expansion following the turn of the century. Later, with development of the automobile, household appliance, and the "tin" can industries, sheet, strip and other "light" steels assumed importance. Most recently, with the development of numerous alloy steels, the "age of alloy steels" is opening up.

Basic raw materials of the steel industry are pig iron and scrap. A ratio of about half and half pig from scrap is used in making open hearth steel, which is the bulk of low cost "heavy" steel produced. Pig iron is produced in blast furnaces, requiring a ratio for every 1,000 tons of pig iron, of about 1,740 tons of iron ore, 740 tons of coke, and 350 tons of limestone. Steel in turn is produced by four principal methods: (1) Open hearth process, which accounts for over 90% of steel tonnage produced, chiefly in plates, structural shapes, rails, girders, etc., although some "low" alloy steels are also produced by this process, which purifies the mixture by oxidation. (2) Bessemer process, an old time process, in which impurities in the pig iron are removed by a blast of air, and carbon and manganese are added. (3) Crucible steel, producing fine steels for such uses as watch springs, knives, razors, etc. (4) Electric furnace steels, producing alloy steels in which close control over quality and composition is necessary.

Steel capacity and production since 1929 have compared as follows:

Year	*Capacity as of Jan. 1	Operating Rate (%)	*Production Open Hearth	Bessemer	Crucible and Electric
1948	94.2				
1947	91.4	92.9	76.8	4.2	3.7
1946	91.9	72.5	60.7	3.3	2.6
1945	95.5	83.5	71.9	4.3	3.5
1944	93.7	95.5	80.4	5.0	4.2
1943	90.3	98.1	78.6	5.6	4.6
1942	88.6	96.8	76.5	5.6	3.9
1941	84.2	97.3	74.4	5.6	2.9
1940	81.6	82.1	61.6	5.6	1.7
1939	81.8	64.5	48.4	3.4	1.0
1938	80.2	39.6	29.1	2.1	0.6
1937	78.1	72.5	51.8	3.9	0.9
1936	78.2	68.4	48.8	3.9	0.9
1935	78.5	48.7	34.4	3.2	0.6
1934	78.1	37.4	26.4	2.4	0.4
1933	78.6	33.1	22.8	2.7	0.5
1932	78.8	19.5	13.3	1.7	0.3
1931	77.3	37.6	25.2	3.4	0.5
1930	72.9	62.5	39.3	5.6	0.7
1929	71.4	88.5	54.2	7.9	1.1

*In million net tons.
Source--American Iron & Steel Institute.

The following figures, compiled by the Iron Age, show the distribution of consumption of steel output by industries in recent years:

	(in million net tons) 1947	1939	1929
Agriculture	2.4	1.4	3.1
Automobiles	10.2	5.9	7.4
Construction and Maintenance	10.1	6.1	8.6
Containers	5.6	2.9	1.9
Machinery and Tools	5.8	1.5	2.0
Oil, Gas, Water and Mining	3.7	1.8	4.1
Pressing and Stamping	3.8	1.8	...
Railroads	6.0	3.3	8.2
Shipbuilding	0.4	0.5	0.3
Exports	4.6	2.8	2.5
All Other	10.3	10.9	7.9
Total	62.8	39.1	45.9

(See Scrap, Steel the Barometer of Trade.)

STEEL ALLOYS

Substances, mostly other metals, used in combination with iron to produce the desired type of finished steel. The older types of alloys were carbon and manganese, while among the newer alloys are nickel, tungsten, vanadium, cobalt, chromium, molybdenum, aluminum, columbium, tungium, and zirconium. Steel alloys are selected to serve specific purposes, as for example, to attain increased strength, hardness, and resistance to fatigue, shock, abrasion, heat, rust, corrosion, and stain.

Steel itself is an alloy, being produced from iron and proportions of carbon and sometimes managanese. The "alloy steels", however, are generally referred to as those employing the other alloys listed above. The alloy steels are becoming increasingly important, and now account for about one ton out of every six tons of steel produced. Although "low" alloy steels have been made in the past in open hearths, the modern "high"

alloy steels, requiring close control over composition, are made in electric furnaces, which now produce over one third of total alloy steel production. Alloy steels are regarded as possessing great possibilities for expansion in demand and production that will open up a new ''alloy steel age''. (See Steel.)

STEEL THE BAROMETER OF TRADE

In business circles, the conditions in the iron and steel industries—the great basic industries—are regarded as indicative of the conditions which other industries are likely to experience and therefore reflect general business conditions. ''As steel goes, so goes the country'' is a truism accepted as axiomatic among bankers, business men and analysts. The United States Steel Corporation, for example, alone has about one-third of the steel industry's total capacity, and issues quarterly earnings and weekly operating rate statistics; and industry statistics are also available weekly on production and operating rates through the American Iron & Steel Institute. This makes it possible to ascertain with greater accuracy than in most types of business the state of activity. The high point of activity of these industries is usually regarded as marking the height of an inflation period, and the bottom, the end of the period of depression, or the revival starting-point. It is well known among economists and business analysts, for instance, through a study of trade cycles, that the iron and steel industries are the last to become deflated in a period of liquidation. Correspondingly, they are the last to revive, or ''turn the corner.'' Due to the growth in size and diversity of industry considered as a totality in the last two decades, the steel industry is probably not entitled to the barometric value it once had.

In speculative circles, the common stock of the United States Steel is regarded as a leader, and is one of the most actively traded stocks on the New York Stock Exchange. Representing the leading basic industry and reflecting its prosperity and earnings, it is only logical that if conditions within this industry reflect general business conditions, other stocks should tend to move more or less in sympathy with it.

(See Business Barometers, Steel.)

STERLING

A common term for British money of whatever denomination, and whether gold, silver, or bank notes. The British refer to their money as ''pounds'' or ''sterling,'' or to pounds as ''pounds sterling.'' By extension this term has assumed a metaphorical meaning indicative of purity or high quality, e. g., ''sterling silver,'' ''sterling character,'' and the like. (See Pound, Pound Sterling.)

STERLING AREA

Under the system of British Exchange Control, the sterling area refers to the entire British Commonwealth (excluding Canada and Newfoundland) plus Iraq, Transjordan, Iceland, and the Faroe Islands, in which control of sterling settlements is practiced, either directly by the British Exchange Control, or by central banks or other banks of those countries, in consultation with British Exchange Control. (See International Monetary Fund.)

STERLING BILLS

Bills of exchange payable in British currency, i. e., pounds sterling.

STERLING BONDS

Bonds, the principal and interest of which, are payable in British currency; i. e., pounds sterling.

STERLING CREDITS

Letters of credit, the specifications for which call for drawing bills of exchange payable in pounds sterling.

STERLING EXCHANGE

Exchange, i. e., checks and bills drawn against bank balances on points in Great Britain. Since London is the banking center of Britain, and the principal banks maintain head offices there, sterling exchange almost invariably affects balances in London banks. Sterling exchange is therefore practically synonymous with London exchange.

STIFFENED

A stock market expression to denote that prices have hardened i. e., slightly advanced.

STIVER

A nickel coin of the Netherlands, equivalent to 1/20th of a guilder. (See Foreign Moneys--Table 2.)

STOCK

This term has three meanings:

(1) In the United States this term is used synonymously with Capital Stock (q.v.) and with Share (q.v.). See Assented Securities, Authorized Capital Stock, Common Stock, Fully-Paid Stock, Guaranteed Stocks, Industrial Stocks, Inscribed Stock, Mining Securities, Non-Assessable Stock, Preferred Stock, Public Utility Stocks, Railroad Stocks, Treasury Stock, Unvalued Shares, Watered Stock.

(2) In Great Britain, this term is generally synonymous with debenture bonds, whether issued by a corporation (company), or the Government, or civil division thereof. For instance, Government and municipal loans are referred to as Government or corporation (meaning municipal in England) stock. Company stock is held and transferred in any multiples of one pound and sometimes less, while shares are for fixed denominations.

(3) In business usage, the term means goods, merchandise, or finished product; thus, stock of goods. (See Merchandise Turnover.)

STOCK ALLOTMENT WARRANT

See Subscription Warrant.

STOCK ASSESSMENT

See Assessment.

STOCK BILLS

Bills of exchange drawn against and accompanied by stocks or investment securities which are deliverable upon payment of such bills. Shipping securities ''draft attached'' is a customary method of delivery to out-of-town points, in transactions between dealers in securities.

STOCK BROKER

See Broker.

STOCK CERTIFICATE

A receipt or certificate of ownership, signifying that the person whose name is written thereon is the owner of a certain portion of the capital stock of the designated corporation. The stock certificate is "representative" of the intangible personal property right involved, the stockholder's ownership in the corporation. The extent of ownership is indicated by the ratio of the number of shares held to the total number of shares outstanding; thus, if one owns ten shares in a corporation having an outstanding capital stock of $1,000,000 ($100 par value), he owns 1/1000 of the undivided assets. Stock certificates are printed, lithographed, or engraved forms. To guard against fraudulent and forged securities, the principal stock exchanges of the world require securities dealt thereon to be engraved. With this precaution, it is possible for a stock exchange to guarantee the physical genuineness of its securities.

Stock certificates may be divided into two types; simple certificates which contain a plain statement of ownership, and certificates which contain a digest of the terms governing the stock. The following are the essentials of a stock certificate:

1. Number of certificate.
2. Number of shares owned.
3. Par value (or without par).
4. Name of issuing corporation.
5. State of incorporation.
6. Total authorized capital stock.
7. Whether common or preferred.
8. Body.
   - (a) May be simple certificate.
     - (1) To whom issued (name of stockholder).
     - (2) Number of shares issued to the owner.
     - (3) How transferable.
   - (b) May contain agreement.
     - (1) To whom issued (name of stockholder).
     - (2) Number of shares owned.
     - (3) Whether fully paid and unassessable.
     - (4) Voting power.
     - (5) If preferred whether cumulative or non-cumulative.
     - (6) If preferred, what dividend rate.
     - (7) How transferable.
     - (8) Disposition of assets in event of dissolution.
     - (9) Signatures of two officers.
     - (10) Corporate seal.
     - (11) Registrar.
     - (12) Transfer agent.
     - (13) (On reverse side blank form of assignment.)

(See Capital Stock, Common Stock, Preferred Stock, Stockholder.)

STOCK CLEARING CORPORATION

See New York Stock Exchange Clearing House.

STOCK DIVIDEND

A dividend paid to stockholders in shares of stock of the issuing corporation. Such shares are issued to stockholders of record out of the unissued stock of the corporation, or in case all the stock has been issued, the charter is amended so as to authorize additional capital stock. For example, suppose a company with a single class of capital stock of $1,000,000 issued and outstanding ($2,000,000 authorized) and a surplus (accumulated out of earnings) of $500,000, finds that its earnings have averaged 12 per cent. on the outstanding stock for a period of ten years and that current dividends at 6 per cent. can in all probability be maintained on an additional issue of $200,000. In such a situation, a stock dividend of 20 per cent. may be declared without violating the rules of conservative corporation finance. If a 20 per cent. stock dividend is declared, the disbursement will entitle each present stockholder to receive one additional share for every five shares held. A stock dividend involves no payment of cash, but it is frequently advantageous because the psychology of the market is such that the market value of six shares after the stock dividend has been declared, will probably be greater than five shares previous to the dividend announcement. More persons are able to buy a greater number of shares by reason of the lower price. Furthermore, while the stock dividend involves no cash, it confers upon the stockholders the right to increased dividends, provided the same rate is maintained.

From an accounting standpoint, the stock dividend in the above example merely involves a transfer of $200,000 from the surplus account to the capital stock account. The net worth of the corporation is in nowise changed and in this sense a stock dividend is in reality no dividend at all, since the stockholder's equity in the assets of the corporation is no greater than before. There is only a presumption that the stockholder will receive increased dividends.

The new shares issued upon the disbursement of a stock dividend are fully paid, since they are charged against accumulated undivided profits previously earned, and retained by reinvesting them in the business. When the directors declare a stock dividend it is popularly referred to as "cutting a melon."

In the past, a few corporations have issued small periodic stock dividends (sometimes as frequently as quarterly) in lieu of, or supplementary to,regular cash dividends. This practice has been defended on the ground that the cash was needed for reinvestment in the business. There can be no serious objection so long as the value at which the stock is issued is charged to current earnings, and not against previously Earned Surplus. Otherwise, stockholders might be misled as to the true value of such dividends.

From a tax standpoint, whether or not a stock dividend is taxable depends on two factors:

1. If the nature of the stockholders' interest in the corporation after receipt of the dividend is different in kind or nature, it is a taxable dividend.
2. But if there is merely a reshuffling of evidence of ownership, without any actual severance of income available to the stockholders or change in prior ownership, there is no income, and hence the stock dividend is non-taxable.

Accordingly, Split-ups (q.v.) and stock dividends in the same class of stock held by the stockholder result in the stockholder's owning the same proportionate interest in the company's assets as before the distribution, and hence are non-taxable. But a distribution which changes the proportionate interest, such as a dividend in common stock issued to holders of preferred stock, is taxable. Taxable also are dividends in stocks owned in other corporations, since these are obviously dividends paid in property owned by the corporation.

(See Dividend, Split-Up.)

STOCK EXCHANGE ABBREVIATIONS

See New York Stock Exchange Abbreviations.

STOCK EXCHANGE BANKS

Most banks and trust companies in the Wall Street district habitually lend a part of their credit resources to brokers, syndicates, and investment houses, for financing security transactions, investment purchases, and margin trading. The term "brokers' bank" is thus particularly applied to those institutions which tend to specialize in such accounts, such as the Continental Bank & Trust Company of New York for many years up to 1929.

STOCK EXCHANGE BROKER

See Broker.

STOCK EXCHANGE COLLATERAL

See Collateral.

STOCK EXCHANGE HOLIDAYS

See Bank Holidays.

STOCK EXCHANGE LOANS

Loans made to brokers, syndicates and investment houses with securities traded on the New York Stock Exchange as collateral.

(See Brokers' Loans, Call Loan, Call Money Market.)

STOCK EXCHANGE SEAT

See New York Stock Exchange.

STOCK EXCHANGES

Organized markets for the purpose of trading in stocks and bonds. A stock exchange is part of the machinery of credit and banking and has a four-fold function: (1) to provide for the transfer of securities, making it possible for owners to sell securities after they are once acquired; (2) to bring actual and market values into coincidence; (3) to furnish a barometer of business conditions, since quoted prices represent the composite judgment of the entire business world; (4) to aid in the promotion of new enterprises.

According to the Securities Exchange Act of 1934, "the term 'exchange' means any organization, association, or group of persons, whether incorporated or unincorporated, which constitutes, maintains, or provides a market place or facilities for bringing together purchasers and sellers of securities or for otherwise performing with respect to securities the functions commonly performed by a stock exchange as that term is generally understood, and includes the market place and the market facilities maintained by such exchange."

Section 31 of this act states: "Every national securities exchange shall pay to the Commission on or before March 15 of each calendar year a registration fee for the privilege of doing business as a national securities exchange during the preceding calendar year or any part thereof. Such fee shall be in an amount equal to one five-hundredths of 1 per centum of the aggregate dollar amount of the sale of securities transacted on such national securities exchange during the preceding calendar year and subsequent to its registration as a national securities exchange."

Exchanges may be incorporated, or voluntary associations. In America, the stock exchanges are voluntary associations. Each exchange has its own list of securities, which may include in the case of regional stock exchanges, securities primarily listed on the major exchanges. Such national issues are termed "dual listings" on regional exchanges, the aggregate trading volume of which on all regional exchanges sometimes compares with the volume of such issues on the New York Stock Exchange itself. The regional stock exchange particularly performs the function of developing markets for local issues of suitable qualifications. Such qualifications have been stated by the Chicago Stock Exchange as follows: (1) at least 150,000 and preferably 200,000 shares publicly held; (2) a minimum of 750 stockholders and preferably over 1,000; (3) a share price of under $25 and preferably under $20; and (4) a low par value, preferably $1 to $10, for tax reasons.

Registered Exchanges.—There are 19 national securities exchanges which are registered with the Securities and Exchange Commission. These registered exchanges transacted a total value of $14,790,928,000 in transactions for the year ended June 30, 1947. Registered exchanges and their respective total market value of transactions for the year ended June 30, 1947 follow:

Exchange	*Total Market Value of Transactions
Baltimore Stock Exchange	$ 5,314
Boston Stock Exchange	197,161
Chicago Board of Trade	66
Chicago Stock Exchange	225,448
Cincinnati Stock Exchange	11,561
Cleveland Stock Exchange	19,477
Detroit Stock Exchange	46,368
Los Angeles Stock Exchange	104,406
New Orleans Stock Exchange	2,206
New York Curb Exchange	1,327,979
New York Stock Exchange	12,520,077
Philadelphia Stock Exchange	117,887
Pittsburgh Stock Exchange	19,515
St. Louis Stock Exchange	8,183
Salt Lake Stock Exchange	3,428
San Francisco Mining Exchange	1,326
San Francisco Stock Exchange	177,028
Standard Stock Exchange, Spokane	1,574
Washington Stock Exchange	1,924

*000 omitted.

In addition to the registered exchanges, there are 5 national securities exchange which have been exempted by the Securities and Exchange Commission from registration. These exempted exchanges, and their respective total market value of transactions for the year ended June 30, 1947, follow:

Exchange	*Total Market Value of Transactions
Colorado Springs Stock Exchange	$ 274
Honolulu Stock Exchange	6,161
Minneapolis-St. Paul Stock Exchange	3,932
Richmond Stock Exchange	672
Wheeling Stock Exchange	398
Total Volume	$ 11,437

*000 omitted.

Under Sec. 5 of the Securities Exchange Act of 1934, it shall be unlawful for any broker, dealer, or exchange, directly or indirectly, to make use of the mails or any means or instrumentality of interstate commerce for the purpose of using any facility of an exchange within

or subject to the jurisdiction of the United States to effect any transaction in a security, or to report any such transaction, unless such exchange:

(1) Is registered as a national securities exchange, or

(2) Is exempted from such registration upon application by the exchange because, in the opinion of the Commission, by reason of the limited volume of transactions effected on such exchange, it is not practicable and not necessary or appropriate in the public interest or for the protection of investors to require such registration.

Foreign Exchanges.—Leading stock exchanges in Canada include: Montreal Curb Market, Montreal Stock Exchange (q.v.), Toronto Stock Exchange (q.v.), and Vancouver Stock Exchange. Stock exchanges are to be found in principal cities of Europe (see Bourse, London Stock Exchange, Paris Bourse).

STOCK JOBBER

London Stock Exchange members are of two classes, brokers and jobbers. Each class performs a distinct function, and by the rules of the exchange one is prohibited from performing the role of the other. A broker deals with the public, executing buying and selling orders for it, but the jobber may not. The business of the latter is to act as intermediary between brokers having securities to sell and those having securities to buy. The broker receives a commision from his customer, but the jobber's compensation consists of the difference between his buying and selling price. (See London Stock Exchange.)

STOCK MARKET

See London Stock Exchange, New York Curb Exchange, New York Stock Exchange, Paris Bourse, Stock Exchanges.

STOCK POWER

An instrument which effects the sale, assignment and transfer of stock to a designated person, and appoints a designated person attorney to transfer the stock on the books of the corporation. Stock certificates usually contain a stock power in blank on their reverse side. The following form is the assignment separate from the certificate which is approved by the New York Stock Exchange:

For value received ..... hereby sell, assign and transfer unto .....
.....( ) Shares of the .....
Capital Stock of the .....
standing in .....name on the books
of said .....
represented by Certificate No. .....
herewith and do hereby irrevocably constitute and
appoint .....attorney to
transfer the said stock on the books of the within named
Company with full Power of Substitution in the premises.

.....

Date .....

(See Good Delivery.)

STOCK PRICE AVERAGES

Arithmetic or weighted averages, or index numbers, of selected groups of stocks, designed to afford single figure tabloidal indication of market levels and trends that may be easily charted or cited. The smaller the list of stocks used in the average or index number, the less representative of the market as a whole it is liable to be because of the constantly shifting leadership of the market. Thus, an average based on a group of high quality, seasoned industrials is liable at stages of speculative interest in medium and lower grade issues to fail to reflect advances in the latter groups. Accordingly, the larger the number of issues constituting the average, the more diversified representation it is likely to have, and therefore the more likely it is to be representative of the broad market trend.

Stock price averages are prepared by a number of financial news publishers and statistical organizations. Among the daily averages currently published are:

Dow Jones Averages (q. v.):

High, low and close on 30 Industrials, 20 Rails, 15 Utilities, and combined 65 stocks.

N. Y. Herald-Tribune:

High, low and close for 70 Industrials (9 sub-groups), 30 Rails (2 sub-groups), and 100 combined stocks.

N. Y. Times:

High, low and close for 25 Industrials, 25 Rails, and 50 combined stocks.

Standard & Poor's Corp.:

Index numbers (1926 equals 100), of 50 Industrials, 20 Rails, 20 Utilities, and 90 combined stocks.

Weekly averages currently published include:

Standard & Poor's Corp.:

Weekly index numbers (1935-1939 equals 100), of 72 sub-groups, as follows: Industrials (63 sub-groups), Rails, Utilities (3 sub-groups), and a composite index of all classifications (total of 416 stocks, consisting of 55 Industrial groups totaling 365 stocks; 20 Rails; and 3 utility groups totaling 31 stocks).

Weekly index numbers of capital goods, consumers goods, high grade common stocks, low-priced common stocks, banks, fire insurance, casualty insurance, and investment company stocks.

Barron's:

50-stock average.

Group stock averages (31 industry groups).

20 Most Active Stocks; 20 Low Priced Stocks.

Yields on Dow-Jones Averages (30 Industrials, 20 Rails, 15 Utilities).

Average of 20 Metal Stocks.

Moody's:

Weekly average yields on Preferred Stocks: 10 High Grade Industrials, 10 Medium Grade Industrials, 10 High Grade Public Utility Preferreds, and 10 Medium Grade Public Utility Preferreds.

Among the monthly averages currently published are:

New York Stock Exchange:

Total value of listed stocks and listed bonds.

Barron's:

Total Value Stock Indexes (all common stocks, Industrials, Rails and Utilities).

Standard & Poor's Corp.:

Monthly average of the Standard & Poor's Weekly Stock Price Indexes.

Moody's:

Monthly average yields on 200 stocks, 125 Industrials, 25 Rails, 25 Utilities, 15 Bank, 10 Insurance, and 12 "Blue Chip" stocks.

Monthly average dividend rates on 600 stocks, 492

Industrials, 36 Rails, 30 Utilities, 21 Bank, 21 Insurance, and 12 "Blue Chip" stocks.

(See Dow Jones Averages, Index Numbers, Market Averages.)

STOCK PURCHASE WARRANT

A privilege sometimes carried by bonds or preferred stocks, but more often separately outstanding, which entitles the owner to the right to purchase a certain number of the shares of the common stock of the corporation within a limited period. Such warrants state on their face the terms under which the right to buy stock may be exercised.

The issue of bonds with stock purchase warrants attached has gained more prominence with industrial companies. Like convertible bonds, their advantage to the issuers is that of finding a market for capital more easily than with stocks alone, and borrowing at a lower rate. Similarly, the advantage to the buyer is that a contractual obligation is purchased along with the right to participate in the possible future increased prosperity of the company. Many bonds of this nature are debenture bonds with sinking fund provisions, but others are junior mortgage issues. Another advantage of these bonds from the standpoint of the issuer is that, like convertible bonds, if the warrants are exercised, an improvement in the capital structure follows. It is also a means of securing future capital on a favorable basis. Normally, the stock purchase warrants are not valuable at the time of issue of the bonds, and usually the price at which the stock is purchasable increases with the lapse of time, with the warrant expiring on the maturity date if not before. If redeemable, the bonds usually carry the stock purchase privilege up to within thirty days of the redemption date.

Warrants serve a definite and useful purpose in corporation finance under certain circumstances. In theory, the use of warrants generally implies a willingness on the part of the stockholders of a business to share future increases in profits, if any, with those who furnish additional capital in the form of senior securities in return for a willingness on the part of the latter to accept a lower rate of fixed income than would otherwise be necessary.

The use of warrants is particularly well adapted to two types of situations: first, those in which the company is unwilling or unable to pay the rate of interest or dividends that would be necessary on ordinary issues of bonds or preferred stocks: and, second, in the case of untried or unseasoned ventures, the senior securities of which investors are loath to buy unless some speculative privilege attached thereto offers a profit possibility in the event of successful operations.

From the standpoint of the common stockholders, as owners of the business, the granting of such warrants to others may be fully justified by the necessity or desirability of raising additional capital on a favorable immediate basis.

(See Rights, Subscription Warrants.)

STOCK QUOTATIONS

See Quotations, Quotation Ticker.

STOCK REGISTRAR

A trust company, bank, or individual, authorized to act in a fiduciary capacity, which has been appointed by a corporation to certify that the number of its shares issued does not exceed the authorized amount, and to check the work of the transfer agent. The rules of the New York Stock Exchange require that corporations whose stocks are listed thereon maintain separate registrars and transfer agents. The relation between a corporation and its registrar is fixed by contract. In the absence of any law fixing this liability, this contract defines the liabilities of the registrar.

The work of the registrar in the case of a new corporation, or when additional stock is issued, is to compare the number of shares represented by the certificates with the number authorized, and if there are no irregularities, to register the certificates in its own records and sign its name to each stock certificate. In the case of outstanding shares, it is the registrar's duty to make certain that each new certificate issued by the transfer agent (which may be the corporation itself) is accompanied by a genuine certificate representing the same number of shares to be cancelled. In other words, the registrar must see that there is a cancellation for each issuance, placing a "Canceled" stamp on old certificates and validating new certificates by means of its signature.

STOCK SPLIT-UP

See Split-Up.

STOCK SYMBOLS

See New York Stock Exchange Abbreviations.

STOCK TRANSFER AGENT

See Stock Transfers.

STOCK TRANSFER JOURNAL

A book in which transfers of stock of a corporation are authorized and recorded. It is practically a duplicate of the assignment appearing on the reverse of the stock certificate.

STOCK TRANSFERS

Stock certificates are personal property and ownership may pass from one person to another by assignment. In case of sale, however, the purchaser is not recognized as the legal stockholder until a transfer has been effected upon the books of the corporation. This involves the cancellation of the old certificate and the issuance of a new one. It is the duty of the transfer agent, whether an officer or clerk of the corporation itself, or an outside individual, bank, or trust company, to see that the act of transfer is properly executed. When shares of stock are sold it is necessary for the seller, whose name is written on the face of the certificate, or for an authorized representative of such person, to assign the certificate. In all stock transfers through the New York Stock Exchange a stock exchange member must guarantee the signature of the person making the assignment, i. e., the seller, who is also known as the transferor.

In making transfers, it is first necessary to determine whether the stock transfer books are open. Transfer books are usually closed for a short period in order to determine the list of stockholders entitled to receive dividends, rights, etc. Suppose "A" has sold "B" a certain number of shares of stock. "A" being the transferor must assign the certificate to "B", the transferee. "A" may assign in blank (on the reverse of the certificate), or he may appoint an attorney to con-

duct the transfer for him. In the latter case, the person so appointed must sign a power of substitution.

The assignment must be dated and witnessed and the signature of the assignor (transferor) guaranteed by a New York Stock Exchange member, or a New York bank. The name of the transferee is then filled in in the blank space on the assignment, and the certificate is taken to the transfer agent. (A list of the transfer agents for all the stocks listed on the New York Stock Exchange is provided for the use of clerks by New York bankers and brokers.)

Transfer in which the estate of a deceased person is involved:

When a stock certificate stands in the name of "A," a deceased person, it may be assigned by the executor or administrator of his estate. It is usually the best policy for the representative of the estate to submit the certificate to the transfer agent, with request for information as to what papers are necessary to effect the transfer. If the decedent is a testator, the following papers are usually required: (1) certified copy of the will; (2) certificate of appointment of the executor dated within six months of the date of the presentation of the certificate for transfer; (3) waiver. The requirement depends upon the state in which the transfer is effected, the state of incorporation of the corporation whose stock is transfered, and the state in which the decedent died. If the decedent died intestate, the following papers are usually supplied: (1) certififed copy of the appointment of the administrator; (2) waiver.

Transfer in which a guardian or trustee is involved:

The procedure differs among the various states, as well as among transfer agents, but usually when a certificate is being transferred from one person to an individual or institution acting as trustee or guardian, it is not necessary to submit any documents whatever. If, however, the stock is transferred out of trusteeship or guardianship, it is invariably necessary to furnish properly authenticated papers showing the appointment of the trustee or guardian.

Transfers involving no change of ownership:

If Mary Smith marries and becomes Mary Smith Jones, a transfer is necessary, even though it involves no change of ownership. In such a case, the certificate should be indorsed, "Mary Smith Jones, formerly Mary Smith." Sometimes the transfer agent requires such a signature to be guaranteed, in order to hold him harmless against any loss or damage which may arise by reason of the transferor's action in making the desired change. If this should prove necessary, the following form will suffice:

"We hereby certify that Mary Smith and Mary Smith Jones are one and the same person, Mary Smith having become Mary Smith Jones by marriage and that no change of ownership is involved in this transaction. We guarantee to hold you harmless from any loss or damage which may arise by reason of making the transfer as requested."

.....

N. Y. Stock Exchange Member.

Another case in which a transfer involves no change of ownership is that of legal change of name. In such case it is necessary to submit to the transfer agent a certified copy of the document certifying such change of name.

Transfer of stock standing in the name of a corporation:

In order to transfer stock standing in the name of a corporation, it is necessary that the certificates be assigned by a duly authorized officer of such corporation. Such authorization consists of a resolution of the board of directors granting signatory powers to the signing officer. The resolution must also bear the seal of the corporation. Some transfer agents will accept a general resolution; others require a specific resolution, i. e., authorizing each transaction. (See Assignment in Blank, Stock Certificate, Stock Registrar.)

The obligation of the transfer agent to its principal is a matter upon which, because of varying conditions, there is certain to be a difference of opinion. Certainly he must use proper precaution not to jeopardize the interests of his principal, and protect both the old and new stockholder, the former by seeing that the stock is transferred only upon a properly executed assignment, and the latter by seeing that the wording of the new certificate correctly describes its ownership.

The Uniform Stock Transfer Act has been adopted by many States, including New York, which added the Act to its Personal Property Law in 1913. The Act standardized procedure and legal incidents of transfer of stock.

(See Good Delivery.)

STOCK TRANSFER TAX

An excise tax imposed by the Federal Government and by States on the transfer of stock.

The Federal stock transfer tax is graduated as follows:

For $100 par value or no par value stock: 5¢ for each share if selling price is under $20 per share; 6¢ if selling price is $20 or over.

For other par values: to determine the tax, first the total par value of the shares sold is computed by multiplying par value per share by the number of shares, next by dividing par value by 100 to determine the number of $100 units involved, treating any fractional remainder as an additional full unit of $100. The rates of tax are then applied and are the same: 5¢ for each unit of $100 if selling price is under $20 per share; 6¢ for each unit of $100 if selling price is $20 or more per share.

The Federal Government also imposes a tax on stocks loaned at the rate of 5¢ for each $100 of par value loaned regardless of market value. There is no tax on the return of borrowed stock. The Federal Government also imposes a bond transfer tax of 5¢ per $100 of principal amount.

New York State first began to levy taxes on stock transfers in 1905. Present rates, effective July 1, 1945, are as follows:

On shares selling under $5 per share, 1¢; on shares selling at $5 and under $10 per share, 2¢; on shares selling at $10 and under $20 per share, 3¢; and on shares selling at $20 per share and over, 4¢. There is a 2¢ tax per share upon all deliveries or transfers of shares or certificates of stock except in cases where the shares or certificates are sold, when the above rates apply.

On the New York Stock Exchange, the seller pays the New York State and Federal transfer taxes. On Odd Lots, Federal tax is charged on Odd Lots, whether

bought or sold, and State transfer tax is charged on stocks sold.

STOCK TRUST CERTIFICATE

A certificate, also known as trust certificate, issued in exchange for the stock of competitive corporations entering a "trust" or combination, turned over to a group of trustees, who direct the affairs of the combination. Such trusts were prohibited by the Sherman Anti-Trust Act of 1890 (q. v.). Usually only shares representing the controlling interest in the competing corporations were exchanged for the stock trust certificates, which retained all of the rights of the original stock, and were deposited with the trustees. (See Trust.)

STOCK TURNOVER

See Merchandise Turnover.

STOCK WATERING

See Watered Stock.

STOCKHOLDER

The legal owner of one or more shares of stock in a corporation. At law, the owner of a stock certificate is the person whose name appears on its face and is registered in the books of the company, although the certificate may have been assigned in blank and sold to another person who has not yet transferred the stock into his name and in whom the equitable title is vested.

The ownership of stock entitles the stockholder to four rights: (1) Proportionate ownership in the undivided assets of the corporation (see Stock Certificate); (2) right to dividends when earned, and declared by the board of directors; (3) right of proportionate control through voting power (unless specifically disallowed by the articles of incorporation or by-laws), and to receive notice of elections and meetings where voting power may be exercised; (4) right to subscribe to additional stock before offerings are made to the general public, (pre-emptive right), unless such pre-emptive right is specifically negated by the articles of incorporation, or do not apply in specified instances, such as stock issued to effect a merger or consolidation, in reorganization, or to satisfy conversion or option rights outstanding. (See Preferred Stock, Stock, Stockholders of Record.)

STOCKHOLDERS' MEETING

There are four kinds of stockholders' meetings of corporations under New York State laws:

1. Annual meeting, for the purpose of electing directors. At least one-fourth of the board of directors must be elected. Sec. 55 of the Stock Corporation Law requires that such meeting shall be held at least once a year. Directors shall be elected by a plurality of the votes cast of a quorum.

2. Special meeting of stockholders for specific corporate purpose, such as to mortgage assets. The by-laws may provide for any length of notice for special meetings.

3. Meeting to oust hold-over directors, a special kind of meeting authorized to stockholders under Sec. 22 of the General Corporation Law.

4. Extraordinary meeting authorized under Sec. 52 of the Stock Corporation Law. A corporation which has been unable to obtain the necessary ratio of approval for some corporate change, such as the 2/3rds approval necessary for change in capitalization, because of stockholder indifference to sending in proxies, may make application to the Supreme Court for permission to call an extraordinary meeting, at which any stockholders represented in person or by proxy would constitute a quorum.

At the regular annual meetings, annual financial reports of the corporation are presented to stockholders customarily, and questions on operations and finances of the corporation are answered by the management. Usually, the president of the corporation or chairman of the board of directors presides as chairman of the meeting, but stockholders present have the right to elect such chairman of the meeting, although usually electing such a senior officer or director.

STOCKHOLDERS OF RECORD

The legal stockholders; stockholders whose names are registered in the stock registry and recorded in the stock ledger of a corporation. A stock certificate may be assigned in blank and held by another person, or lost, or stolen, but the privileges and rights to dividends, etc., still belong to the stockholder of record. (See Stock Certificate, Books Closed.)

STOP LOSS ORDER

An order given to a broker by a customer usually in order to protect a profit created by an advance, or to limit a loss in case of a sudden decline. In the case of a short seller, a stop loss order is employed to protect profits created by a decline and to limit losses in case of an advance. The following illustration indicates the use of a stop loss order by a speculator who has purchased stock in anticipation of a rise.

Suppose United States Steel is purchased at 85. While the speculator anticipates that the market will rise, he does not wish to take a large loss should his judgment prove wrong. He may therefore enter a stop loss order to sell at 80. This would not be touched in case of a small dip in prices, but in case the market develops a declining tendency, the stock might drop to a point where the order would go into effect. The broker is not bound to sell the stock at the exact stop loss order price. There may be other orders to sell the stock at 80 ahead of any given order, or else there may be no bids at that price, so the stock must be offered down until a purchaser is obtained. This means that in reality a stop loss order when touched off becomes a market order and is executed at the best price obtainable at the time the market reaches the vicinity of 80.

The market is sometimes honeycombed with stop loss orders, and in the event of a steady decline, such decline touches off such stop loss orders which thereby add to the supply of stock on the downside.

STOP ORDER

See Stop Loss Order.

STOP ORDERS ON PASS BOOKS

When a savings bank pass book is lost, a stop order should be issued by the depositor upon his bank. This consists of a written notice addressed to the bank, stating that passbook No. ..... belonging to ....has been lost, and a request to stop payment, signed by the depositor. The savings bank will then attach a slip to the depositor's ledger card with the words, "Do not pay." This will serve to remind

the teller to allow no withdrawals, should the passbook be fraudulently presented.

STOP PAYMENT

A depositor has the legal right to stop payment on checks which he has previously drawn. This right places an obligation upon banks which must be met by maintenance of careful records and exacting and scrupulous observance of stop payment orders by paying-tellers and check-desk clerks. In order to make a bank liable, a stop payment order must be presented in writing and reach the bank on which the stopped check is drawn before it is presented. A telegraphic request to stop payment is legally enforceable, but an oral or telephone one is not. Banks usually endeavor to stop payment on oral or telephonic instructions, but are not always able to do so. A satisfactory form of stop payment order is as follows:

Date .....

Kindly stop payment upon a check drawn by .....
..... to .....
(us or me) (name of payee)
dated .....
The number of the check is .....

Very truly yours,

.....
(name of drawer)

It will be noticed that the stop payment order gives four facts—the number, date, amount and payee of the check. Paying-tellers and check-desk clerks usually keep a list of the stop payment orders continually before them. This list is usually arranged in alphabetical order, according to the names of the drawers who have issued stop payment orders. The paying teller should keep in mind all stop payment orders and in cases of doubt the list should be scrutinized before a check is cashed.

Foreign banks issue checks in original and duplicate, or, as is sometimes designated, first and second of exchange. Duplicates are not paid until it is determined by inspecting the statement of account or canceled checks to see whether the original has been paid. At the time a duplicate check is paid, a stop payment order is automatically placed against the original. Since the possible previous payment of the original is always verified, when a duplicate is presented for payment, it is not necessary to place a stop against a duplicate at the time the original is paid. On the other hand, when the original is presented, provided there is no stop payment against it, it is paid without verifying the payment of the duplicate through the statement or voucher records.

Acknowledgment of a stop payment order should be made by a form letter to read as follows:

"We are in receipt of your letter of ..... requesting us to stop payment of your draft No..... dated ....., for $_____, to the order of ....., and the matter will have our careful attention. The draft does not appear to have been paid since date of issue."

Acknowledgments are also made of cancellations of stop payment orders. This typical form letter reads:

"We are in receipt of your letter of the ..... and in accordance with your instructions we have removed the stop payment order which we had placed against your draft No..... dated....., in favor of ..... for $_____"

Stop payment sheets should be duplicated for use at the check desk so that checks coming in through the clearing house upon which stop payment orders have been placed, may be stopped and returned to the presenting bank.

The principal reasons for stopping payment are, cancellation of purchase orders, to prevent cashing of a lost check by a dishonest person who may have come into illegal possession of it, and to prevent the payment of an original check when the duplicate has already been paid. (See Check.)

STOPPED STOCK

A sale effected pursuant to an agreement entered into on the floor of an exchange whereby one member, usually the specialist in such stock, guarantees to purchase or sell to another a stated amount of the stock either at the price of the next sale or at a specified price when the stock sells at such price. An agreement by a member to "stop" securities at a specified price constitutes a guarantee of the purchase or sale by him of the securities at that price or its equivalent. Members and member firms should report to their customers that securities have been "stopped" with another member only if the "stop" is unconditional and the other member has definitely agreed thereto.

Orders to buy and sell each individual stock are normally paired off or stopped at the opening of the Exchange in equal amounts. Any excess of orders to buy or to sell are executed, thereby establishing the price of the stopped stock. Stopped stock may be printed on the ticker if no other shares are offered or bid at that price.

A Stop Order (see Stop Loss Order) to buy becomes a market order when a transaction in the security occurs at or above the "stop" price. A Stop Order to sell becomes a market order when a transaction in the security occurs at or below the "stop" price.

STOP TRANSFER ORDER

When a stock certificate has been lost or stolen, the owner has the right to issue a stop transfer order to the transfer agent to prevent transfer in the name of a wrongful party. Transfer may also be stopped by a court order.

Transfer agents before accepting stock certificates for transfer must ascertain whether stop orders have been issued against them. It is customary to defer issuance of new certificates in place of lost or stolen certificates one year after notice is given, and then only upon filing a bond of indemnity, usually for a sum equal to double the value of the stock involved.

STOTINKA

A minor currency unit of Bulgaria, 100 stotinki being equivalent to one lev (q.v.). (See Foreign Moneys—table 2.)

STOTINKI

The plural of Stotinka (q. v.).

STRADDLE

A combination of a put and a call which grants to the holder the right to require the maker within a specified

time to purchase and/or sell a specified security at a stipulated price. The price stipulated in a straddle is almost invariably the market price prevailing at the time the straddle is executed.

See Spread.

STRADDLE THE MARKET

An expression to denote the situation existing when a speculator is short of one or more stocks and long of another or others. Straddling the market is a form of hedging, or insurance, for protecting commitments in stocks when the future course of prices is uncertain. By being short of one stock and long on another, should the next general movement of prices be down, the sum lost through the decline in value of long stocks will be approximately offset by a profit in short stocks.

STRAIGHT LOAN

See Straight Paper.

STRAIGHT PAPER

A general term for all classes of unsecured notes, acceptances, and bills of exchange. A straight loan is one without collateral security. (See Single-Name Paper.)

STREET

A popular name for the New York financial district. (See Wall Street.)

STREET BROKER

A broker, not a member of any stock exchange, who buys and sells unlisted securities for his clients. Such brokers also act as dealers for own account in buying or selling unlisted securities. Member firms also often maintain unlisted trading departments. A market for inactive, unlisted securities is often difficult to locate, and such a broker is especially useful to those who employ his services for this purpose—banks, investment houses, security dealers, and other brokers, as well as individual investors and traders. Street brokers' commissions are self-regulated through the National Association of Securities Dealers, Inc. (q.v.), one of whose Rules of Fair Practice provides: "..... if a member buys for his own account from his customer, or sells for his own account to his customer, he shall buy or sell at a price which is fair, taking into consideration all relevant circumstances, including market conditions with respect to such security at the time of the transaction, the expense involved, and the fact that he is entitled to a profit; and if he acts as agent for his customer.....he shall not charge his customer more than a fair commission or service charge..."

(See Over-the-Counter Market.)

STREET CERTIFICATE

A stock exchange broker's name for stock certificates which have been transferred in blank and on that account are negotiable by delivery without further indorsement or transfer upon the books of the company. A street certificate must be indorsed in blank by the registered owner and guaranteed by a responsible broker. It then may be bought, sold and transferred any number of times without being transferred on the books of the company. Street certificates are the customary form of stock certificates serving as collateral to margin accounts. In trading on margin, these certificates are adequate, but when the stock is purchased outright, or taken up by a margin purchaser, the street certiticate must be taken to the company's transfer office and a new certificate issued in the name of the purchaser. Should the new certificate, after being registered in the name of the owner on the books of the company, be sold, indorsed in blank by its registered owner and properly guaranteed, it would again become a street certificate.

STREET IMPROVEMENT BONDS

A sub-classification of municipal or special assessment bonds issued for the purpose of paving or repairing streets. Usually these bonds are special assessment bonds, i. e., the obligation of the taxpayers whose property is benefited, and not of the entire municipality. (See Semi-Municipal Bonds, Special Assessment Bonds.)

STREET LOAN

Another term for Call Loan (q. v.).

STREET RAILWAY BONDS

A class of public utility bonds, usually secured by street railway property. Street railways are natural monopolies and share with other public utilities the general principle that being monopolies affected with a public interest, their rates should be regulated. There are two methods by which the rates charged by street railways are limited: (1) where the rates are specified, and the rate regulating powers vested in the municipality by the franchise contract, and (2) where rates are regulated by a public service commission. From the investor's point of view, the latter type is more satisfactory. The modern tendency of public services commissions is to adjust the street railway fares to permit a fair return upon the capital invested in the property, and the recent attitude of public service commissions has been one of protecting the interests of the investor through the allowance of fare increases.

Generally speaking, street railway bonds are a good investment if secured by property, which at replacement value, does not exceed the bond issue and where rate regulation is left to the public service commission. In recent years street railways have encountered competition from municipally owned or licensed bus lines, but have themselves converted to an increasing extent to motor buses or trolley buses, thus increasing efficiency of operation and service. (See Public Utility Bonds.)

STRINGENCY

A term used in conjunction with money and credit conditions to indicate that credit is tight and borrowers are experiencing difficulty in procuring funds. During a money stringency, money rates, especially in the call loan market, are high, and banks and business houses exercise caution and discretion in granting credit. If the stringency is severe, credit can be obtained only by the highest class risks who can furnish the most conservative collateral. A money stringency is one of the characteristics of a period of expansion, inflation and speculation, reaching its highest expression at a time of crisis or panic, when it becomes the chief characteristic. Before the Federal Reserve System, which introduced elastic currency and perfected elastic bank credit, a money stringency was occasion for considerable

alarm, usually precipitating a break in the security markets.

STRONG

An expression to denote that market prices have a rising tendency. A market, or a single security or commodity, is said to be strong when there is a price advance.

STUB

In general, a counterfoil or part of a bond set of printed, blank forms, e. g., checks, stock certificates, receipts and the like, the latter being detachable from the stub by tearing at the perforation. The stub is a memorandum containing essentially the same information as the form which is detached, and is retained as a part of the permanent records of a business.

For check stubs see Check Book.

SUB-COMPANY

See Subsidiary Company.

SUBJECT BID

A bid for a security usually in connection with inactive stocks in over-counter markets or smaller stock exchanges, which is tentative or temporary, rather than firm. The occasion for a subject bid arises in those cases where trading has been infrequent and in which a wide spread presumably exists between any actual bid and actual offer. One who places a subject bid is, in effect, endeavoring to locate a corresponding offer but does not obligate himself to buy except on further negotiation or confirmation. Thus, a subject bid is not a dependable one that can be used as a certain basis for a trade. It is a trial or locating bid, subject to confirmation, change, or possible cancellation.

SUBJECT OFFER

A tentative offer to sell an inactive stock in an effort to locate a bid. It is not necessarily a firm, final or actual offer. For fuller explanation, see under Subject Bid.

SUBJECT TO CALL

See Callable Bonds, Optional Bonds.

SUBJECT TO CHECK

A term used in conjunction with that type of bank account or deposits which the depositor retains the right to withdraw immediately and without notice to the bank, by means of check. All commercial checking accounts are subject to check, i. e., payable on demand. Practically all the deposits of a commercial bank are demand deposits, i. e., subject to check. (See Demand Deposits.)

SUBJECT TO PRIOR SALE

See Prior Sale.

SUBJECT TO REDEMPTION

See Callable Bonds.

SUBJECT TO SALE

See Prior Sale.

SUBROGATED NOTE

See Subrogation.

SUBROGATION

The substitution of another person in the place of the creditor. The person so substituted succeeds to all the rights of the original creditor, all debts owing to the creditor becoming payable to the substituted person. A subrogated note is one in which the person to whom it is payable has substituted another person as successor to his rights therein.

Under Federal Deposit Insurance, the Federal Deposit Insurance Corporation (q.v.), in the case of a closed National bank or District of Columbia bank, shall upon the payment of depositor of his insured deposit be subrogated to all rights of the depositor against the closed bank to the extent of such payment. In the case of any other closed insured bank, the Corporation shall not make any payment to any depositor until the right to be subrogated to the rights of such depositor on the same basis shall have been recognized either by express provision of State law, by allowance of claims, by assignment of claims, or any other effective method. Such subrogation shall include the right on the part of the Corporation to receive the same dividends from the proceeds of the assets of the closed bank and recoveries as would have been payable to the depositor on a claim for the insured deposit, such depositor retaining his claim for any uninsured portion of his deposit.

SUBSCRIBER

One who subscribes for a certain number of shares of stock, or a certain amount (par value) of bonds, either by entering his name on a subscription list (blank), or by some other agreement to purchase. (See Subscription.)

SUBSCRIPTION

An offer to purchase stocks or bonds given to a corporation, or its authorized trustee or representative, by a subscriber. A subscription is not binding upon a subscriber until accepted. It is merely an offer to purchase and can be revoked by the subscriber until accepted. Acceptance in the case of subscription before incorporation is made when the corporation comes into existence and makes an act of acceptance by a duly authorized officer, express or implied. Acceptance in the case of subscription after incorporation is simple, as the corporation is already in existence and merely accepts, thus giving rise to contract.

In order to have the status of a continuing offer, a subscription before incorporation must contain an agreement to form the corporation and take specified number of shares therein, as a mere agreement to subscribe to shares of stock in a corporation to be formed in the future is just an agreement to agree, there being no corporation in existence.

An acceptance of a subscription is subject to allotment. This provision protects the corporation against suit in case of over-subscription, which necessitates a pro rata reduction of subscriptions for amounts in excess of a certain minimum. (See Prior Sale.)

SUBSCRIPTION WARRANT

An instrument entitling the stockholders of record to "rights," or subscription privileges; a certificate issued by a corporation specifying the amount of stock and terms and conditions under which each stockholder is entitled to subscribe to new shares which the corpo-

ration is about to issue. Subscription warrants are legal evidence of the ownership to subscription rights and are assignable. (See Rights.)

SUBSIDIARY COINAGE

Coins manufactured from metals other than the standard. In the United States, the subsidiary coinage consists of silver, nickel, and copper coins. (See Minor Coins, Subsidiary Silver Coins, Token Money.)

SUBSIDIARY COMPANY

A company, usually a corporation, controlled by another corporation through partial or complete stock ownership, interlocking directorates, lease, or otherwise. Many large corporations control a number of subsidiary companies. The advantage of such control is to secure greater integration, e. g., a continued source of supply of raw material, or market outlet for the finished product. Thus, many automobile manufactories and oil refineries establish subsidiary distributing agencies; many steel corporations own subsidiary ore and coal properties. Against the advantages of maintaining subsidiary companies, however, was the basic disadvantage in specific instances of increased taxation, which in the past led parent companies to reduce the number of subsidiaries. Sec. 141 of the Internal Revenue Code, however, was extensively amended by the Revenue Act of 1942 to permit affiliated groups of corporations the privilege of making consolidated income tax returns (and excess profits tax returns) beginning with the taxable years after December 31, 1941, in lieu of making separate returns.

SUBSIDIARY SILVER COINS

The 50 cent, 25 cent, and 10 cent pieces. These coins contain only 385.8 grains, .9 fine (347.22 grains of pure silver) to the silver dollar, while the silver dollar itself contains 412.5 grains, .9 fine (371.25 grains of pure silver). Subsidiary silver coins were all made legal tender by the Thomas Amendment to the AAA Farm Relief and Inflation Act of May 12, 1933 and the Gold Repeal Joint Resolution of June 5, 1933. Subsidiary silver coins are a form of Token Money (q.v.).

SUBSIDY

Government financial assistance given to important public enterprises—railroads, steamship operators, air lines or airplane manufacturers, beet sugar and other agricultural industries—operating under private management, in order to encourage such industries which otherwise would be undeveloped or inadequately developed.

Subsidies may take the form of outright operating grants, or indirect assistance in the form of preferential rates or tariffs.

SUBSTITUTIONS

See Substitutions in Collateral.

SUBSTITUTIONS IN COLLATERAL

The relinquishment of certain collateral pledged to secure a loan and deposit of other collateral of equivalent value in its stead. Substitutions are an essential part of the machinery of handling brokers' loans. They are also necessary wherever short-term paper is pledged as collateral against long-term notes, in rediscounted notes securing Federal Reserve Notes (q.v.), and in the collateral supporting Collateral Trust Bonds (q. v.).

Call loans and brokers' time loans are always secured by stock exchange collateral, i. e., stocks and bonds which are constantly being traded in. A broker obtains a loan from a bank by pleding this collateral, which has been purchased for the accounts of customers operating on margins. While these securities are owned by the brokers' customers, they are held by the brokers as security against the debit balances which they advance. Suppose a broker's customer orders the sale of some of the stock which the broker has rehypothecated with a bank. In order to make delivery the broker must obtain physical possession of these shares previously pledged to secure his bank loan. It is therefore necessary to procure them at the bank where they are deposited as collateral. In the meantime, however, the broker has purchased stock for other accounts, and these he can offer in exchange for the stocks that have been sold but are deposited at the bank. Accordingly, a messenger is sent to the broker's bank with the securities to be substituted and with a request phrased as follows:

SUBSTITUTION REQUEST

....., 19 ...

Please deliver the following securities from our loan number ....., dated .....

.....

We hand you in exchange:

.....

.....

.....

(Signature)

Substitution forms are signed by a member of the brokerage house who is authorized to sign, or by an authorized attorney.

Substitution clerks who examine collateral substituted for collateral to be released observe the following points: (1) that the signature on the substitution request is authorized and genuine; (2) that the character of the substituted collateral is acceptable, i. e., approximately equivalent to the character of the collateral being released; (3) that the new collateral is negotiable; and (4) that the market value of the substituted collateral is approximately equal to the value of the collateral to be released.

Since rediscounted commercial paper of not more than 3 months duration (6 months for agricultural paper) forms a portion of the collateral supporting Federal Reserve notes, it is necessary that the constant stream of maturing notes be released from the custody of the Federal Reserve agent at each Federal Reserve bank (who has charge of this collateral and whose duty it is to supervise substitutions), and that newly rediscounted paper be substituted.

Substitution of collateral in real estate mortgage bonds or in collateral trust bonds is permissible only on previously agreed upon terms specified in the indenture, and customarily care is chargeable under the indenture to the trustee that the character and value of the new collateral is as good as the released collateral.

SUB-TREASURY

One of the branch offices of the United States Treasury performing Government fiscal operations of the

same character as the United States Treasury, and under the supervision of assistant treasurers. By an act of Congress, dated May 29, 1920, the operation of the sub-treasuries as a part of the fiscal system was required to terminate on June 30, 1921. Sub-treasuries were located in New York City, Baltimore, Boston, Chicago, Cincinnati, New Orleans, Philadelphia, St. Louis and San Francisco. By the act above referred to, these nine sub-treasuries were closed and their functions taken over by the various Federal Reserve banks, which carry on the fiscal operations in the same manner as previously. (See United States Treasury.)

SUCRE

The international currency unit of Ecuador. See Foreign Moneys—Tables 1 and 2.)

SUGAR

History.—Sugar cane has been grown since very early times. The art of boiling sugar was known in India before the seventh century, and in Egypt probably earlier. When sugar was introduced in medieval times by travelers from the East, it was a a rare and valuable delicacy known as "Indian Salt," the word "sugar" being of modern origin.

Portuguese and Spanish explorers of the 15th century carried the cultivation of cane to the new world, and early in the sixteenth century it had spread over large portions of the West Indies and South America. During the next two centuries great wealth was derived from its cultivation, manufacture and export, especially in Brazil and Haiti.

In 1747 the existence of sugar was discovered in beet and other fleshy roots which grow in temperate regions, but little practical use was made of this knowledge until the Napoleonic Wars cut off the supply of sugar from the West Indies. Then production of beet sugar was undertaken and flourished under the personal encouragement of Napoleon, but it was not, however, until after 1830 that it was established on a firm footing. From then on the industry has advanced until now nearly one-half of the world's sugar supply is derived from beets.

Growth and Manufacture.—Sugar cane requires at least a twelve months' growing season, and an absence of frost in the ground. The sugar beet can be matured in half that time, and as it is raised from seed each year, the frost does not affect it. The cultivation of cane is therefore confined to tropical or semi-tropical localities while beets can be grown in the temperate zones. Both can be produced in this country, the former largely in Louisiana, and Florida, while the latter is chiefly grown in Colorado, Michigan, Utah, California and in some of the Middle Western states.

In the manufacture of sugar the juice is extracted from the cane, usually by crushing, and is then clarified by the addition of lime, boiled in vacuum pans which keep the boiling point low, and crystallized in centrifugal machines. This raw sugar is a light brown color and is shipped in bags to the refineries, where the sugar is washed and much the same process repeated, by being additionally filtered through animal charcoal known as bone-black, to remove any coloring matter.

The refinery, with all its elaborate machinery, is necessary for the production of the white refined sugar that is so universally used, but all this is done to remove only about 3 per cent. of impurities, as the raw sugar is about 96 per cent. pure when it goes into the refinery. Sugar is produced from beets by a process very similar to that of cane sugar.

The difference between the price paid for raw sugar and the price at which the refined sugar is sold is called the "spread" and amounts to a very small fraction of the final cost of the sugar, yet the volume handled is so large that this small "spread", besides paying the cost of refining, means a large aggregate profit.

Production.—Since sugar began to come into common use, the increase in the world's supply has been rapid and the growth and expansion of sugar refining has been one of the most striking developments of modern industry. In 1840 the total sugar production was but 1,150,000 tons; by 1870 the amount had increased to 2,416,000 tons; for 1919-20, 15,495,000 tons; for 1933-34, 25,709,000 tons; and for the 1946-47 crop year, 31,231,000 tons.

The principal cane sugar producing countries in the world for the 1946-1947 crop year were: Cuba, British India, United States (combined with Puerto Rico and Hawaii), Philippines, and Java. Europe is the chief producer of beet sugar (normally Germany and Czechoslovakia are principal producing countries), followed by the United States. The United States ranks as the principal consuming country, followed by British India, the United Kingdom, and normally, Germany.

In the United States, consumption is regulated by the quota provisions of the Sugar Act of 1948, which restores quotas suspended in 1939 and 1942. Normal annual consumption is set by the Secretary of Agriculture, who in turn divides the market among various producing countries according to ratios fixed by the law. Of normal annual United States consumption of about 7,000,000 tons, the quota distribution would be approximately as follows: American cane and beet (about 3/4ths beet), 30%; Cuba, 32%; Puerto Rico and Hawaii, 25%; Philippines, 13%; and other foreign countries other than Cuba, less than 1%. The Sugar Act of 1948, which is to continue effective for five years, unless suspended by proclamation, also continues the excise tax of 53 1/2¢ per cwt. on refined and 50¢ per cwt. on raw sugar paid by refiners and beet sugar processors, about 80% of which proceeds are in turn paid out to producers in the continental United States, Hawaii, Puerto Rico and the Virgin Islands for compliance with production allotment programs and other conditions. Besides the quota system, sugar in the United States is protected by tariffs, the import duty for Cuban raws being 50¢ and Cuban refined sugar, 53¢; and for other foreign country raws, 68.75¢ and refined sugars, 72.875¢ per hundred pounds.

(See New York Coffee & Sugar Exchange.)

SUGAR EXCHANGE

See New York Coffee and Sugar Exchange.

SUPERINTENDENT OF BANKS

See State Banking Department.

SUPERPOWER

A name given to the generating facilities of an interconnected electric power system, i. e., the tying up of a number of electric power generating plants into a single system. This is the physical or engineering side of the

consolidation of electric power companies on a financial basis through the holding company or other device.

Superpower or "giant power" is an evolution of electric interconnection and interchange of power generating and distributing facilities that has come about in the electric power industry similar to the trend toward combination and large scale production and distribution in manufacture, transportation, etc. Two definite and extensive economies are made possible by superpower. The first, and most obvious, is the reduction in the investment needed for spare equipment. If ten stations are tied together, instead of requiring ten spare generators, the interconnected system can be adequately protected in providing for sudden increases in load or breakdowns with one or two emergency generators. The second economy is in decreased costs of operation. The aggregate peak load of an interconnected system will probably be something like 40,000 kilowatts smaller than the sum of the individual peak loads of the plants operated independently, and yet the total kilowatt hour output is the same in both cases. It follows, therefore, that in the interconnected system the average load is a much higher percentage of the maximum load than if the systems were operated independently. This higher average use of facilities means a great saving in power generating cost. By contractual arrangement it is the custom to carry the continuous loads as much as practicable upon the plants with the lowest operating cost.

SUPPORT

A term to denote the active sponsorship of a single security, or a groups of securities by a syndicate, dealer group, individual speculators, or other special interests, to prevent further decline. Support usually is furnished to give a security, or the entire market, an appearance of strength for the purpose of arresting a downward movement and inspiring confidence, rather than with the intention of making immediate profits. Active support, however, in the face of declining market trend is rare, as best results for the stock supported are possible when general market conditions are not adverse.

SUPPORTING ORDERS

Buying orders lodged with brokers for the purpose of furnishing Support (q. v.).

SURETY

This term has two applications:

(1) A guarantor; a person or company which agrees to answer for the debt or performance of another in case of default.

(2) Suretyship; a guaranty or security for protecting a person against loss in case of default in the payment of a debt, or performance of a contract; an instrument or undertaking, ordinarily called a surety bond, given as evidence of the guaranty by which the surety becomes bound as the principal or original debtor is bound. (See Surety Company.)

SURETY BOND

See Surety Company.

SURETY COMPANY

A company which guarantees the acts of others, i. e., acts as surety for a valuable consideration. One of the principal types of guarantees undertaken by a surety company is the insurance of the faithful conduct of employees handling money or valuable papers guaranteeing any losses which may result from dishonesty. This is known as fidelity insurance. A surety company undertaking this class of risk, keeps in touch with the history of employees and refuses to insure those who have police records. They attempt to secure conviction of defaulters and by refusing to renew a surety bond when the insured has been guilty of misconduct, these companies tend to reduce dishonesty, defalcation, and embezzlement.

Originally surety contracts or guarantees were personal, i. e., one person guaranteed the faithful performance of another. Such personal suretyships were frequently abused and rarely compensated. About 1876 the idea of corporate suretyship was put into operation in this country and a company undertook to assume, for a premium, all the responsibilities of acting as surety. In 1881, when Elihu Root, then counsel of the American Surety Company, presented to the New York Legislature the application of the company to do business, there were very few laws governing the methods by which a corporation might issue surety bonds and undertakings.

A corporate surety bond is a three-party instrument, consisting of the principal, the obligee or assured and the surety. The principal is the individual firm or corporation on whose behalf the surety is issued. The obligee or assured is the individual, firm or corporation in whose favor the suretyship is issued. The surety is the company issuing the guaranty.

The laws of today require a great many different bonds covering every phase of human relationship from the licence of a peddler, extending through all kinds of court action, to the guarantee of the honesty and faithful performance of duties of public officials, guardians, trustees and executors, to the guarantee of the fidelity of employees and to the guarantee of performance of contracts.

The surety company by rigidly adhering to its underwriting standards created by years of experience and only issuing suretyship for responsible applicants is thus acting as a safeguard for all citizens and taxpayers. Under varying conditions and in the different States and municipalities it has been possible for surety companies to build up a broad experience which has been of inestimable assistance to legislatures in safeguarding funds.

SURETYSHIP

See Surety Company.

SURPLUS

This term may apply to (1) the proportion of profits of a business for the current accounting period in excess of all costs, expenses, interest charges and dividend payments, i. e., amount available for carrying forward into the next accounting period, i. e., net profit, or, (2) the accumulated or undivided profits of past periods left invested in the business, i. e., the earned surplus. The first application, however, is not strict accounting terminology. The term surplus should not be used synonymously with net profits, but rather should designate undivided profits of a corporation; profits which have not been distributed in dividends to stockholders. The surplus, which in some cases exceeds capital stock, should be added to the latter, to-

gether with any unallocated equity reserves, in order to determine net worth. (See Capital and Surplus.)

SURPLUS RESERVE

The amount of a bank's reserve (held in a Federal Reserve bank in the case of a member bank, and in its own vault or legal depositaries if a non-member bank) in excess of the legal reserve requirement. Also more commonly known as Excess Reserves (q.v.). The term also applies to the surplus reserves of all the banks in a given clearing house association.

In accounting, the term is applied to that type of equity reserve which represents an earmarked portion of surplus, and is not definitely allocated for any purpose. (See Reserve.)

SURRENDER VALUE

A term used in connection with insurance policies to denote the cash sum which the insurance company agrees to pay the holder who exercises the option of surrender. The surrender value increases in proportion to the number of premiums paid and growth of the policy reserve. The loan and surrender value of a policy are usually coincident.

SURROGATE COURT

The name given in some states to the court, usually of county jurisdiction, having jurisdiction over probate of wills, administration of intestacies, supervision over executors and administrators, guardianships, etc. It is known in other states as Probate Court, or Orphan's Court. (See Probate.)

SUSPENSION

This term has three meanings:

(1) The termination of a business due to insolvency or bankruptcy.

(2) The temporary closing of a bank which, though in a solvent condition, desires to liquidate a part of its assets in order to be in shape to meet the demands of its creditors. (See Failures.)

(3) Members of a stock exchange may be suspended, i. e., prohibited from exercising their rights as members for a stated period (as distinguished from expulsion) for violating certain rules of the exchange. On the New York Stock Exchange, members may be suspended, not only for specific violations of rules, but for certain acts not expressly defined. The rules of the New York Stock Exchange provide for suspension in the following cases: (1) "Conduct or proceeding inconsistent with just and equitable principles of trade;" (2) where failure "has been caused by recklessness or unbusinesslike dealings;" and (3) whenever a member has been "adjudged guilty of any act which may be determined by said (governing) committee to be detrimental to the interest or welfare of the exchange."

SUSPENSION OF GOLD PAYMENTS

See Gold Repeal Joint Resolution, Gold Reserve Act of 1934, Gold Standard.

SUSPENSION OF SPECIE PAYMENTS

See Specie Payments.

SWEATING

A term applied to a method of reducing the weight of coins by rubbing them together in a box or bag for the purpose of obtaining gold or silver dust resulting from the friction.

SWEETENING A LOAN

A Wall Street expression meaning to place additional securities on deposit to margin a loan after security values have declined, in order to keep the margin intact, or to strengthen the margin. (See Margin Call.)

SWINDLING

A term to denote the selling of doubtful or worthless securities through misrepresentation. It may be accomplished through advertisements that offer securities of high yield, or promise exorbitant profits, or circulars distributed gratis written deceptively and with an ulterior purpose, rather than giving bona fide disinterested analyses.

Another form of swindling consists in switching low grade securities of doubtful or no value, for high grade securities of unquestionable merit. (See Blue Sky Laws, Bunco, False Statement Acts.)

SWINGS

A term used to denote the periodic movements upward and downward in (1) business activity, (2) commodity prices, (3) security prices, or (4) money rates. C. H. Dow in his book entitled "Theory of Stock Speculation," classifies swings as primary, secondary, and tertiary. Primary swings are broad movements lasting over a period of years, and may be identified with the business cycle, i. e., a primary upward and downward swing constitutes a complete cycle. Primary swings are caused by rhythmic changes in fundamental economic conditions. Secondary swings are the short-term movements covering a number of weeks or a few months, and have their causation in current trade reports, etc. Tertiary swings are the imponderable fluctuations that occur daily and even hourly in the various markets, and have their causation in such factors, as market sentiment, technical position, speculative psychology, etc.

It is on the theory of primary swings that most statistical organizations and forecasting services base their ability to predict future trends. Few persons, other than professional speculators who are well versed in trade conditions and market technique, can uniformly succeed in forecasting secondary swings. Tertiary swings are practically unamenable to forecast. (See Business Cycle, Business Forecasting Services, Speculative Cycle.)

SWITCH

See Switching.

SWITCHING

This term has two meanings:

(1) When a speculator in grain, cotton, or sugar futures transfers his contract to mature in some future month, the process is called switching.

(2) The process of transferring one's interest to another security, i. e., liquidating one's holdings in one security for the purpose of placing proceeds in another because its prospects appear to be more attractive, to increase one's income, or to strengthen one's position.

SYMBOLS

See New York Stock Exchange Abbreviations.

SYNDICATE

A group of investment banking houses, or broker-dealer firms, which organize to underwrite an issue of bonds, notes, or stock from a corporation or governmentality; a group of security underwriters as distinguished from a single underwriter. Banks are now restricted in their underwriting activities to Government and Municipal securities.

The function of a syndicate is to furnish new or additional capital through the purchase at wholesale of the capital issues of the organization requiring to be financed, and the sale of these securities to the investing public through participating members. The term may therefore apply to the original syndicate which buys the securities, known as the "underlying syndicate", purchase group or syndicate on original terms, or to the investment banking houses, dealers and brokers which distribute them to the public, known as the "distributing syndicate" or selling group.

When bonds or stocks are issued by a corporation or Government, it can choose one of two ways of marketing them. They can be sold "over the counter," i. e., the issuing organization can find its own market if it can, or they may be sold directly on a wholesale basis to an underwriting organization. Competitive bidding is now required for public utility issues and railroad issues. On account of the specialized marketing facilities of the large investment banking houses, marketing through such houses is usually chosen. Some one firm may act as the sole underwriter, or else an underwriting syndicate may be formed consisting of a group of firms. The latter practice is customary because it permits a distribution of risk among the members of the underlying syndicate, and enables the participating members (of the distributing syndicate) to offer a well diversified list of securities to their customers.

Each member of the underlying syndicate contributes a certain part of the required capital, and becomes obligated to dispose of an agreed upon part of the issue. The active management of the syndicate rests with one of the member houses, known as the "syndicate manager," whose duty it is to see that the terms of the syndicate agreement are carried out, to handle the accounts, prepare the Registration Statement and Prospectus if required under the Securities Act of 1933, and to take initial custody of the securities.

The securities purchased by the underlying syndicate are sold to the public through enlisting the services of dealers, brokerage and investment houses throughout the country with whom the members of the underlying syndicate have affiliations. Members of the underlying syndicate are primarily wholesalers, while members of the distributing syndicate are retailers.

The following example will serve to illustrate the typical method employed in syndicate organizations (the size of the underwriting spread illustrated has not been representative in recent years, but will suffice for the example). Suppose that a corporation wishes to float a $50,000,000 bond issue, and that the underlying syndicate agrees to underwrite the entire block at 95, remitting to the corporation within the agreed time the proceeds, or $47,500,000. The underlying syndicate will then organize a distributing syndicate, consisting of dealers, and brokers, investment houses, throughout the country, who are invited to enter the distributing syndicate as participating members by agreeing to purchase a block, say at the price of 98, or three points advance over the cost to the underlying syndicate. Members of the underlying syndicate will also have the privilege of subscribing to the bonds at the price they are offered to the public, less a selling commission of say 2 per cent. At the same time the syndicate managers will set the offering price by amendment to the Registration Statement and Prospectus, if such are required, for offering of these bonds to the public, say at par and accrued interest.

The underlying syndicate members usually apportion or allot the entire issue, except such amounts as they subscribe for themselves (to be sold to their own customers), among the various participants in the distributing syndicate in proportion to their financial and sales ability to absorb them as determined by past experience. The participating members' profits consist of the difference between the public offering price and the price at which they are purchased from the underlying syndicate, and they become bound to pay for the amount of their allotment regardless of whether they are sold or not within the syndicate period. Oftentimes, however, the syndicate period is extended if selling conditions are difficult. The underlying syndicate's profit consists of the difference between the purchase price and that at which they are sold to the participating members. In the above example, the profit (assuming the bonds are entirely sold) would be $1,500,000, less the expenses of the syndicate and the syndicate managers' commission. Each member of the underlying syndicate shares in the profits or losses in accordance with the ratio that its participation bears to the total amount of the issue. If the underlying syndicate is not successful in selling all the bonds to the members of the distributing syndicate or through its own distributing channels, then the unsold portion will be allocated to the members of the underlying syndicate pro rata with their participation at the price of 98.

Some syndicate agreements contain a so-called "selling-out clause," which provides that to the extent that an underlying syndicate member subscribes for bonds, its liability to the syndicate is decreased. Thus, if a member subscribed for bonds to the amount of this participation, it is relieved from liability of having to take up any of the unsold bonds. (See Underwriting.)

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SYNDICATE AGREEMENT

See Syndicate.

SYNDICATE LOANS

Loans made by a bank to an underwriting syndicate to aid in the purchase of securities from an issuing organization. State banks and trust companies in New York State (Sec. 103, subsection 3) may not lend to underwriting syndicates if (1) there has not been 25 per cent. of the amount of the issue paid in by the syndicate, (2) the terms of the proposed loan or any renewal thereof exceed one year, (3) the amount exceeds 25 per cent. of the lending institution's capital and surplus, or (4) the lending institution itself is liable directly, contingently

or indirectly for the repayment of any part of the proposed loan. (See Syndicate.)

SYNDICATE MANAGERS

See Syndicate.

SYNDICATE MEMBERS

See Syndicate.

SYNDICATE OFFERINGS

Securities offered for sale by an investment house which have been received as an allotment from an underlying syndicate; investment offerings of a syndicate. (See Syndicate.)

SYNDICATE ON ORIGINAL TERMS

See Syndicate.

TAEL

A Chinese money of account, equivalent to the value of the weight of a tael (varying from 1 to 2 1/2 ounces avoirdupois) of silver. The international currency unit of China is the national dollar (see Foreign Moneys--table 2).

TAKE A FLIER

See Flier.

TAKE UP

This term has two meanings:

(1) A brokerage term to denote the act of paying upon delivery for the purchase of, or subscription for, bonds or stocks; payment made in order to get possession of securities previously contracted for.

(2) To retire or pay off, as a note, acceptance, or bond.

TALARI

The local name for the dollar of Ethiopia. The dollar is the international currency unit, with a par value of 40.25¢ relative to the U. S. dollar. (See Foreign Moneys--tables 1 and 2.)

TALE

Contracts involving the payment of metallic money might call for payment "by tale," meaning by count, as distinguished from weight. If payment were made in gold coin, for instance, the total sum "by tale" would disregard abrasion, whereas the sum by weight would denote actual value. A given sum computed "by tale" would give a smaller value than if computed by weight.

The Joint Resolution of Congress of June 5, 1933 provides that every provision contained in or made with respect to any obligation which purports to give the obligee a right to require payment in gold or a particular kind of coin or currency, or in an amount in money of the United States measured thereby, is declared to be against public policy.

TALLERO

A money of Eritrea. The international currency unit is the shilling. (See Foreign Moneys, table 2.)

TALON

A term used in England, France and Germany, to indicate the last portion of bond, certificate, or rente, remaining after the coupons have been detached. Sometimes it takes the form of a special coupon. When the talon is presented to the proper office of the Government, the holder is entitled to receive a new certificate or rente with its full quota of coupons for the next period. French rentes are usually issued with coupons attached for 5 or 10 year periods. (See Rentes.)

TANGIBLE ASSETS

Physical or material assets, e. g., real estate, buildings, machinery, inventories, and cash, as distinguished from intangible assets, e. g., good will, patents, trademarks, and the like.

TAPE

A narrow ribbon of paper used in quotation tickers on on which prices transmitted by telegraph from market headquarters are printed by an electrically operated instrument. (See Quotation Ticker, Ticker.)

TAPE ABBREVIATIONS

See New York Stock Exchange Abbreviations, Ticker Abbreviations.

TAPE PRICES

Prices as indicated on the ticker tape. These are printed on the tape in ticker abbreviations, or ticker symbols. (See Quotation Ticker, Ticker.)

TARE

Unproductive weight; weight of the container, package, crate, or vehicle in which goods are loaded for shipment or carriage, as distinguished from the gross weight and net weight. Thus, in a barrel of oil which weighs 400 lbs., the barrel 40 lbs. and the oil 360 lbs., 400 lbs. represents the gross weight, 360 lbs. the net weight, and 40 lbs. the tare.

TARIFF

This term has three applications:

(1) In general, a schedule of charges for services or merchandise. This general use of the term, however, is tending to disappear in favor of specific applications.

(2) A freight or passenger tariff. Railroads and other transportation agencies post a schedule of rates or charges for carrying various classes of merchandise or passengers. Railroads are required to post their tariffs. In order to ascertain the charge for carrying freight from one point to another, it is necessary to determine first the classification and then ascertain the tariff on goods within that classification.

(3) The law under which duties on imports are imposed. The United States has imposed duties on imports under various tariff acts since 1789. The purpose of a tariff is in part to raise revenues for the national government, but other reasons are also assigned, e. g., protection of home industry, protection of the domestic wage level, and to secure a wider diversification of industry. Until 1900, about one-half of the expenses of the national government were defrayed from collection of customs duties.

The following offers an outline of the considerations involved in any study of the tariff and tariff-making:

Principles.

1. Say's Law.
   a. Exports and imports must pay for each other in long run.
   b. Not equivalent as between two countries; trade is triangular or polyangular.
2. Comparative Costs.
   a. Pays to trade under 3 sets of conditions.
      (1) Not when each country is equally efficient.
      (2) When one country is more efficient absolutely.
      (3) When one country is less efficient absolutely.
      (4) When one country is relatively more efficient.

Invisible Imports.
1. Tourists' expenditures.
2. Immigrants' Remittances.
3. Interest Payments on Foreign Loans.
4. Ocean Freight Charges.
5. Marine Insurance Costs.

Balance of Trade Paid for by
1. Gold.
2. Credits (short or long-term).
3. Invisibles.

Tariff a Complicated Problem.
1. Types of Industry Wanted—Diversification.
2. To Remove Foreign Competition—Dumping.
3. Raising Revenues.
4. Strategic Advantages of Diversity—War.
5. Economic Self-Sufficiency. Curtails foreign trade.
   (a) Nationalism (Isolationism).
   (b) Self-Containment.
   (c) Autarchy (extreme nationalistic self-sufficiency).
6. Keeping Industries in Business.
   (a) Parallel with preferential freight rates.
   (b) Form of indirect subsidy.

Related to Other Trade Barriers.
1. Restriction of Immigration.
2. Restriction of Foreign Loans.
3. Merchant Marine and Ship Subsidies.
4. Quotas, Licenses, Cartels, Exchange controls.

Importance Usually Emphasized.
1. Some Foreign Trade Non-Essential.
2. Varies with Combined World Domestic Trade—Price Level.
3. Country Can Adjust Itself to Any Tariff Schedule.
4. Frequent Changes Are Bad--Dislocations.
5. Tariff - Raising Leads to Retaliation.

Domestic and Foreign Trade.
1. Proportions. Compare U. S. and England—U. S. has balance of exports, England balance of imports.
2. Relatively numerous countries in Europe, each with tariff barriers.
3. Only 3 countries on North American continent.
4. Anything that expands domestic trade is good. Foreign trade should be controlled by same principles.
   Yet foreign trade is considered apart.

Tariff and Free Trade.
1. Theory of Free Trade—Geographic division of labor. (Compare interstate trade).
   (a) Natural aptitude.
   (b) Internationalism—war prevention.
2. England's free trade position (1832-1932).

The following is a brief outline of U. S. tariff history:

Tariff Act of 1789.—This was the first act which carried a duty of 5 per cent. on most imports.

Tariff Act of 1816.—Duty on cotton and woolen goods established at 25 per cent. for three years, after which it became 20 per cent.

Tariff Act of 1824.—Duty on cotton and woolen goods established at 33 1/3 per cent. Duties increased on iron, wool, hemp, and bagging.

Tariff Act of 1828.—Duty increased on pig-iron, bar iron, hemp, wool, and flax.

Tariff Act of 1832.—Woolens subjected to a simple ad valorem duty of 50 per cent.

Tariff Act of 1833.—So-called "compromise tariff." General reduction of duties with principle of gradual decreases, until "a general level of 20 per cent. should be reached."

Tariff Act of 1842.—A protective tariff, with higher rates.

Tariff Act of 1846.—Known as the Walker tariff; rates reduced.

Tariff Act of 1857.—Duties decreased.

Tariff Act of 1861 (March 2).—Known as the Morrill tariff; duties increased on wool and iron.

Tariff Act of 1863 (March 3).—Certain duties increased.

Tariff Act of 1864 (June 30).—Certain duties increased.

Tariff Act of 1870 (July 14).—Certain duties reduced.

Tariff Act of 1872 (May 1).—Average duties decreased about 10 per cent.; tea and coffee put on free list.

Tariff Act of 1875 (March 3).—Reductions repealed.

Tariff Act of 1883 (March 3).—Duty on combing wool reduced; taxes on matches, bank checks and savings bank deposits abolished.

Tariff Act of 1890 (Oct.1).—Known as McKinley tariff; rates generally raised. Sugar on free list.

Tariff Act of 1894 (Aug. 28).—Known as Wilson tariff. Rates lowered.

Tariff Act of 1897 (July 24).—Known as Dingley tariff. Rates generally raised; in some cases to extreme levels. Sugar duty made specific.

Tariff Act of 1909.—Known as Payne-Aldrich tariff. Rates slightly lower. Contained 121 pages; mentions 3,500 articles, 360 duty-free.

Tariff Act of 1913.—Known as Underwood tariff. Rates lowered.

Tariff Act of 1922.—Known as Fordney-McCumber tariff. Rates increased.

Tariff Act of 1930.—Known as Hawley-Smoot tariff. Rates increased.

Trade Agreements Act of 1934.—Ushered in reciprocal trade agreements program. Extended in 1937, 1940, 1943 and 1945.

(See Balance of Trade, Foreign Trade, Invisible Imports, Reciprocal Tariff.)

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TARIFF ACT OF 1930

Also known as the Smoot-Hawley Tariff and approved June 17, 1930. The rates of this tariff increased as a whole over the Fordney-McCumber Tariff Act of 1922, which was considered as a highly protective tariff. Unlike preceding tariffs, however, it contained a provision for flexibility or changes in rates if approved by the President. The act empowered the Tariff Commission to recommend increases or decreases to the President, which would become effective if signed, provided, however, that no increase exceeded 50 per cent. The commission could make investigations in the costs of production of any domestic article for the purpose of making such suggestions: First, upon the request of the President; Second, upon resolution of either or both

houses of Congress; Third, upon its own motion; or Fourth, in the judgment of the commission, if there were sufficient reason, upon application of any interested party.

The Smoot-Hawley Tariff was amended on June 12, 1934 by the Trade Agreements Act of 1934, delegating power to the President to raise or lower existing duties by as much as 50%. Under this legislation, the era of high protective tariff policy was replaced by the reciprocal trade agreements program, and a large number of such agreements were signed with such unilateral action including "most favored nation" treaties which assured each of the signing nations of preferential treatment.

(See Tariff.)

TARIFF COMMISSION

A non-partisan, independent commission, created under an Act approved September 8, 1916, consisting of six members appointed by the President, two of whom are designed as chairman and vice-chairman, respectively. Its functions are investigative and advisory, it being the duty of the commission to furnish data on the effect of reciprocal trade agreements in this country and abroad, to make reports, and to suggest changes in tariff rates. These investigative and advisory duties have been increased under the Trade Agreements Act of 1934 and subsequent extensions of the Act, as well as the Presidential Executive Order of February 25, 1947, which direct the Tariff Commission to play an essential role in fact-finding, "policing" trade agreements against trade discrimination, and reporting annually to the President and the Congress on the trade agreements program.

TAX-ANTICIPATION BONDS

Bonds issued temporarily by a municipality or other civil division in order to provide funds for current expenditures until taxes or other income due, can be collected. Tax-anticipation bonds are usually in the form of short term notes and are payable on the next tax date. They are also known as tax-relief or tax-arrearage bonds, and sometimes miscalled Revenue Bonds (q. v.).

TAX ARREARAGE BONDS

See Tax-Anticipation Bonds.

TAX-EXEMPT BONDS

As the result of passage of act of Congress on March 1, 1941 terminating the issuance of tax-exempt securities, and retirements of previously exempt issues, the only fully tax-exempt U. S. Government securities currently outstanding are the Panama Canal 3s of 1961 and Postal Savings bonds. Even such exemption, however, does not extend to Federal or State estate, inheritance, and gift taxes.

U. S. Government securities which are partially tax-exempt are those exempt from all taxation except estate or inheritance taxes, surtaxes on income, and excess profits or war-profits taxes if any. The only Government securities currently outstanding that are partially tax-exempt are Treasury bonds and U. S. Savings bonds issued prior to March 1, 1941, as well as Federal Housing Administration debentures issued pursuant to contracts originating prior to March 1, 1941. The exemption on the U. S. Savings bonds is as to interest on principal amount up to $5,000, and consists of exemption from the surtaxes on income, excess profits taxes and war-profits taxes, if any.

Accordingly, the bulk of Government securities now outstanding consist of fully taxable issues, whose income is subject to all Federal taxes. Such issues are also subject to estate, inheritance, gift, or other excise taxes, both Federal and State. However, they are exempt from taxation on principal or interest by States or local taxing authorities, or by U. S. possessions. Included in fully taxable issues are: Treasury bills; certificates of indebtedness; Treasury notes; Treasury savings notes; depository bonds; Federal Land Bank bonds; Federal Intermediate Credit Bank debentures; Federal Home Loan Bank bonds; Commodity Credit Corporation demand obligations; Treasury bonds and U. S. Savings bonds issued on and after March 1, 1941; and Federal Housing Administration debentures issued pursuant to contracts originating on or after March 1, 1941.

The largest field of tax-exempt obligations, therefore, is now in State and Municipal issues, which are exempt from Federal income taxes as well as taxes by the home State or political subdivision. Even in this field, however, tax exemption is a relative term, as such issues are subject to Federal estate and gift taxes, as well as income, inheritance and property taxes of other States.

TAX-FREE BONDS

Same as Tax-Exempt Bonds (q. v.).

TAX-FREE COVENANT

The Federal income tax law of 1913 contained a provision which required the normal tax on bonds which were subject to tax to be withheld at the source, and also required that ownership certificates accompany all coupons detached from corporation bonds at the time of their presentation. This proved an annoyance to investors and hurt the sale of corporation bonds. Accordingly, issuers of corporate obligations, floated their bonds with "tax-free covenants," whereby the obligor (issuer) agreed to pay any income which the law required the corporation to withhold from the interest paid to the bond owners.

The Revenue Act of 1918, however, raised the normal income tax rate above 2% and discontinued collection of the tax from the obligors, instituting instead the present practice of collection of the tax from the bondholders. Nevertheless, the new tax law made provision for withholding or payment of income tax of 2%, the former income tax rate, so that a holder of tax-free covenant bonds, under which the obligor usually assumed tax of 2%, was relieved from income tax to this extent.

With passage of the Revenue Act of 1934, the requirement of withholding Federal income tax up to 2% on tax-free covenant bonds was restricted to bonds issued prior to January 1, 1934. Whether or not bonds issued on or after January 1, 1934 carry the tax-free covenant, the obligor is now not required to withhold Federal income tax in any amount, so that holders are required to pay the full Federal income tax, as to such bonds.

Fundamentally, the purpose of the tax-free covenant was to shift the burden of the tax to the obligor, and at the time it was introduced, the assumption of tax, usually "up to 2%." no doubt was an inducement to investors in view of the low income tax rates then prevailing. In subsequent years, however with the steady rise in in-

come tax rates, the advantage to the bondholder of such 2% tax-free covenants became of minor significance.

TAX RELIEF BONDS

See Tax-Anticipation Bonds.

TAXES

Compulsory payments imposed by a sovereign for public purposes. Taxes may be classified as (1) direct taxes, those imposed upon the individual directly, such as poll tax, a per capita tax. Under the U. S. Constitution, direct taxes shall be apportioned among the several States; (2) indirect taxes, those imposed upon a privilege or right which a person exercises, such as the right to transmit or right to receive estate property (estate and inheritance taxes), or the right to make gifts of property (gift taxes). The U. S. Constitution also provides that duties, imposts and excises imposed by the Federal Government shall be uniform throughout the country.

Taxes may also be classified as (1) regressive (those graduated so as to impose highest rates on lowest incomes or property values); (2) proportional (those imposing the same proportional taxes on all incomes or property values, whether large or small); and (3) progressive (those graduated so as to impose highest rates on highest incomes or property values). In the United States, progressive income taxation is the prevailing type in both Federal and State taxation, based on ability to pay.

Income taxes imposed by the Federal Government were held by the U. S. Supreme Court to be direct taxes, and were it not for the 16th Amendment, would have to be apportioned in accordance with the U. S. Constitution. There was no such requirement of apportionment as to State income taxes, unless imposed by the particular State's constitution, and such State constitutions as had that requirements were similarly amended (31 States plus the District of Columbia impose income taxes). Income taxes on individuals and corporations are most important in Federal revenues, followed by consumption excises, and estate and gift taxes.

Business excises (licenses, gasoline taxes), and income taxes are the most important types of State taxes, followed by property taxes and inheritance taxes. Property taxes are the major source of local (municipal) taxes, but excises (sales taxes) are being increasingly resorted to as a source of municipal revenues.

(See Estate Taxes, Excess Profits Tax, Excise Tax, Gift Taxes, Income Taxes, Inheritance Tax, Internal Revenue, National Bank Taxes, Revenue Act, Stock Transfer Tax, Tariff, Tax Exempt Bonds, Tax-Free Covenant, Taxes on Investments.)

TAXES ON INVESTMENTS

With the increased importance of securities as a form of taxable property, and with increased rates of taxation, taxes on investments have become a major factor in the selection and turnover of securities, especially for investors who are subject to the higher tax brackets. The problem of legitimate reduction of taxes by investors is one concerned with location of the taxpayer, location of his investments, and type of investments held.

Taxes on investments in the United States include: Federal income taxes, State income taxes, Federal estate and gift taxes, State estate taxes, property taxes, and security transfer taxes. Income taxes are imposed upon the return from investments in interest and dividends, as well as upon capital gains or losses from sale. Estate, gift and property taxes are imposed upon principal valuation of the securities. Transfer taxes are excises imposed at specified rates.

Some of the factors which investors may consider in legitimately reducing the load of taxation are.

1. Strategic use of the capital gains and losses provisions. By control over the holding period, and timely realization of capital gains or losses, it may be possible for investors to reduce their income taxes.

2. Resort to tax-exempt securities. This generally is feasible for the wealthier investors in high tax brackets, and for institutional investors.

3. Location of securities in States having preferential taxation. This particularly applies in the case of creation of trusts and in estate taxation.

(See Taxes, Tax-Exempt Bonds.)

TAXES ON STOCK TRANSFERS

See Stock Transfer Tax.

TECHNICAL POSITION

A term used among stock speculators to indicate the situation, circumstances, set of conditions, influences, or forces operating within the market itself, as distinguished from purely external or extrinsic factors which favor a price movement upward or downward. From the standpoint of the bulls, the technical position is said to be good when the forces or influences in the market are favorable to an advance in prices, and bad when favorable to a decline. It is well known in speculative circles that successful speculation depends upon a knowlegde of the technical position of the market, as well as the outside influences or Fundamental Conditions (q. v.), e. g., political events, trade reports, earnings statements, money rates and general business conditions. The chief elements affecting the technical position are: (1) whether the market is overbought or oversold; (2) the extent of the short interest; (3) whether stocks are widely distributed, or centered in the hands of a few; (4) the extent of public participation; (5) activity; (6) the attitude of big operators; (7) the quantity of stop loss orders present above or below the current level of quotations; (8) the sensitiveness of speculators to bad news; (9) the extent to which the market has advanced or declined without reaction or rally; (10) the extent to which pyramiding is evident; and (11) whether margins are thin or heavy.

Short-swing operators take advantage of their knowledge of the technical position and place their orders accordingly.

TECHNOCRACY

A derived term meaning rule by technologists. Representing a body of thought, technocracy is an interpretation of technology—an attempt to recreate a system or social mechanism, based on a scientific use of technological forces. It claims that the social problem of production and distribution on the North American continent is a technological one, and hence would discard all orthodox or traditional approaches to management of society, i. e., political and economic, and substitute a system in which the productive capacity of the physical equipment of the continent would be utilized at a full balanced load. Thus, Technocracy is non-political, non-democratic and non-philosophical, contending that

the modern complexity of industrial-economic-social-political problems cannot be solved by political and legalistic minds.

Technocracy had its inception in an organization known as the Technical Alliance of North America, which began functioning in 1919 in New York City. This group included Thorstein Veblen, Bassett Jones, Richard Tolman, Frederick L. Ackerman, Stuart Chase, and Howard Scott, who acted as chief engineer of the Technical Alliance.

The primary aim of this group was to ascertain the possibility of applying the achievements of science to social and industrial affairs. With this in mind the Alliance proceeded to make a survey of the energy and natural resources of the North American Continent—all that territory included between the Panama Canal and the North Pole, studying the industrial evolution that had taken place therein. This survey showed graphically the operating characteristics of the present industrial system with its alleged waste and leakage, and worked out a tentative design of a complete co-ordinated system of production and distribution. The chief objective was to provide a better standard of living for the people living in North America with the least possible waste of non-renewable resources.

The chief conclusions of Technocracy are: (1) That there exists on the North American Continent a potential condition of plenty such as is to be found nowhere else in the world: marvelous natural resources, an abundance of raw materials, huge productive machinery adequate for turning out vast quantities of goods, a body of trained technicians and skilled workers,—the finest in the world,—capable of operating this productive machinery in the most efficient manner. (2) The second conclusion of Technocracy is that the price system can no longer function adequately as a method of production and distribution of goods. That the invention of power machinery has made it possible to produce goods in abundance with a relatively small amount of human labor. That as machines displace men, however, purchasing power is destroyed, for, if people cannot work for wages and salaries, they cannot buy goods.

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TELEGRAPHIC TRANSFERS

The transfer of money to a distant point for immediate use through the agency of a telegraph or cable company. A charge is made both for the transfer and telegram. The remitter may waive identification of the payee to the company's cashier at the distant office. (See Cable Transfer, Money Transfer.)

TELEPHONE SECURITIES

Securities (bonds, debentures, preferred stock and common stock) of companies in the telephone industry, the largest of the public communications industries, which include the telephone industry, the wire-telegraph industry (land lines and ocean cable), and the radiotelegraphic industry.

The telephone industry alone ranks as the third largest public utility industry in the United States, ranking after the electric and transportation industries, with total plant investment of approximately $7 billion, of which the Bell System (American Telephone & Telegraph Co.) alone accounts for over $6 billion. Total revenues of the industry are over $2.2 billion annually, of which the Bell System accounts for about $2 billion. The Bell System operates about 80% of the telephones in the United States. There are, nevertheless, about 6,000 independent telephone companies in the United States, the largest being the General Telephone Corp. system, which operates about 1 million telephones, compared with the Bell System's 28.5 million telephones.

Because of the essential nature of the telephone to modern business and living, the telephone industry enjoys great stability in operations. Earnings, however, are affected by fluctuations of the business cycle, and since rates are fixed by public regulation, rise in operating costs necessitates rate relief in order to maintain earnings margins and afford a fair rate of return on operating property. Growth in operating revenues, reflecting expansion in number of telephones installed, has been very substantial, but considerable further growth is reflected in current (1948) long term expansion programs. Operating revenues of the industry have grown from $82 million in 1902 to $665 million in 1922, $1 billion in 1927, and $2.2 billion in 1946, but substantial further expansion, particularly in residential telephone service, is budgeted by the Bell System and independents for the future.

Public regulation of the telephone industry is conducted by the Public Service Commissions of the various States for intrastate operations, and by the Federal Communications Commission for interstate activities, the latter agency having taken over Federal regulation from the Interstate Commerce Commission under the Federal Communications Act of 1934.

Capitalization of the industry at the close of 1946 was about 45% in debt and 55% in stock, and as an objective, the American Telephone & Telegraph Co. itself, through the medium of convertible debentures, hopes to achieve a ratio of 1/3rd in funded debt and 2/3rds in stock.

Because of the stability of operations, regularity of dividends (the American Telephone & Telegraph Co. as a policy has maintained unchanged its $9 dividend rate on its stock through good and lean years), and growth possibilities, telephone securities enjoy generally high investment regard.

In the wire-telegraph industry, the Western Union Telegraph Co. in 1943 became the sole company in the field when it merged the Postal Telegraph Co. Increased use of air mail and of the telephone for long distance calls have reduced telegraph business over the long term.

TELEREGISTER

An electrically manipulated board for posting stock quotations as they are made, and controlled from a central office. The boards, which may be installed in the board rooms of brokers' offices, are rented, as a service, from the Western Union Telegraph Company

TELLER

A general term applied to a bank employee who in one capacity or another transacts business with customers "over the window." The paying and receiving tellers are the most familiar examples. In large banks there

are also, the mail teller, note teller, collection teller, coupon teller, etc. (See Collection Teller, Coupon Teller, Paying Teller, Note Teller, Receiving Teller.)

TEMPORARY BONDS

Bonds issued as temporary certificates for permanent or definitive bonds, and which differ from temporary receipts in that they contain the same complete recitals that appear on the permanent forms, and are not merely acknowledgments of payment and promises to delivery. The term also denotes bonds or certificates issued for temporary financing purposes, thus, receivers' certificates are temporary certificates.

TEMPORARY CERTIFICATES

See Temporary Bonds.

TEMPORARY RECEIPTS

Corporations floating a new bond; note, or stock issue, frequently desire to obtain possession of the new funds as soon as possible and before permanent, engraved certificates can be prepared for delivery. To provide for this contingency, temporary printed or lithographed receipts are issued to purchasers upon payment. These receipts are acknowledgments of payment and promises to deliver permanent or definite bonds (or stocks). They are held by the purchasers until the issuing corporation announces that definitive forms are ready for substitution upon surrender of the temporary receipts.

TEN PER CENT. RULE

This term has two meanings:

(1) See Twenty Per Cent. Rule.

(2) A term which refers to the provision in the National bank laws, which prohibits a National bank from lending, except under certain conditions, more than 10 per cent. of its capital and surplus to one person, firm, or corporation. (See Limitations on Bank Loans.)

TEN POINT MARGIN

Margin, i. e., a partial payment, equal to $10 a share for each share purchased. The partial payment of $1,000 on the purchase of 100 shares, whether the price per share is $25 or $90, is a ten point margin. Before margin requirements became subject to regulation in 1934, a ten point margin was usually the smallest margin which a broker would accept for medium priced stocks. Present margin requirements, effective February 1, 1947, are uniformly 75% both under Regulation T (for extensions of credit by brokers and dealers on listed securities, and for short sales) and under Regulation U (for loans by banks on stocks). From January 21, 1946 to January 31, 1947, margin requirements were 100%. (See Margin Buying.)

TENANCY BY THE ENTIRETY

In law, the particular type of tenancy created in real estate granted or devised to husband and wife, where no express words indicate the creation of a different estate. Each has the right to an undivided half in the real estate subject to the tenancy, and in the event of death of either, the right of survivorship enables the survivor to take the whole. During life, neither husband nor wife may convey his or her interest so as to cut off the right of survivorship. However, the interest of either party may be mortgaged, but in the event of foreclosure, the purchaser at foreclosure sale merely becomes a tenant in common with the other party subject to the latter's right of survivorship.

Tenants by the entirety may terminate the tenancy by a joint deed of both husband and wife conveying the real estate. The tenancy may also be terminated by an absolute divorce, upon which the parties merely become tenants in common. A voluntary partition as between the husband and wife may also terminate the tenancy by the entirety. (See Joint Tenancy, Tenancy in Common).

TENANT

Generally, a person who is entitled to a terminable interest in the possession, enjoyment, or occupation of an estate, such as for life, for years, from year to year, at will, or by sufferance.

In the landlord-tenant relationship, the tenant is one who, not being the owner, occupies real property under consent of the owner and in subordination to the owner's title, but is entitled to exclusive possession, use and enjoyment, usually in consideration of payment of rent as specified in the Lease (q.v.).

Classified according to the number and relationship of of owners, estates are in Severalty, in Joint Tenancy (q.v.), Tenancy in Common (q.v.), and Tenancy by the Entirety (q.v.).

TENANCY IN COMMON

In law, the type of tenancy or estate created when real or personal property is granted, devised or bequeathed to two or more persons, in the absence of express words creating a Joint Tenancy (q.v.). If the persons are husband and wife, and the property is real estate, a Tenancy by the Entirety (q.v.) will automatically arise, unless there are express words creating a Joint Tenancy or Tenancy in Common.

A tenant in common holds and may convey, mortgage, devise or bequeath his undivided interest in the property, real or personal. There is no right of survivorship, as in the case of Joint Tenancy or Tenancy by the Entirety, so that death of a tenant in common does not vest his interest in the surviving tenants. In the event of conveyance, purchaser at foreclosure of mortgage, devisee or legatee, or distributee in case of intestacy, become tenants in common with the other original tenants in common. Most customary method of termination of tenancy in common is by partition, voluntary or by action to compel partition. Also, conveyance by tenants in common of their interests to a single tenant in common will terminate the tenancy in common by merger. A tenant in common is liable to other co-tenants for waste, and canot purchase an outstanding claim to the exclusion of his co-tenants, or create an easement binding the real property against himself or his co-tenants.

TENDER

This term has three meanings:

(1) Same as Bid. (See Bid Price).

(2) See Legal Tender.

(3) In law, the act of offering unconditionally to a claimant or creditor, in satisfaction of the claim, the sum of money or property considered to be due and owing.

TENNESSEE VALLEY AUTHORITY

The largest Federal power agency, originally created by the Tennessee Valley Authority Act of May 18, 1933, to take over the Muscle Shoals Dam (Wilson Dam), and execute the provisions of the Act (q.v.) with respect to flood control, development of water power, and reforestation. Construction of the Muscle Shoals Dam and its power plant in 1916 has been held by the U. S. Supreme Court valid under legislation constitutional under the war and commerce powers of Congress, for the purposes of national defense and the improvement of navigation. In the exercise of these functions, the incidental development and sale of power have also been held constitutional.

Accordingly, the Authority embarked on a vast construction program, whereby it has built 16 major dams in the Tennessee River watershed, and has in addition, acquired five other dams and controls the flow at five additional dams owned by the Aluminum Company of America. Total installed capacity of owned power plants as of April, 1948 aggregated 2,259,800 k.w., compared with total Federally owned installed capacity of electric generating plants of about 5,000,000 k.w. Present extension or construction of plants will bring the TVA's installed capacity to over 3,000,000 k.w.

In selling this power, the Authority is directed by its originating Act to give preference to states, counties and municipalities, and cooperative organizations not organized for profit, and to construct transmission lines within reasonable limits to reach potential power users of this type. Basic policy is that the sytem shall be considered primarily a benefit to the people of the Tennessee Valley by making available an abundance of cheap power particularly to domestic and rural consumers. Power not entirely contracted for these purposes may be sold to private distributors where such distributors agree to resell the power at rates fixed as reasonable by the board of directors of the Authority. As of April 30, 1948, the Authority included as customers 92 municipalities, 48 cooperatives, and 3 privately-owned utility companies, as well as supplying directly one rural area, and interchanging power with 18 privately-owned utility companies. Power is also sold wholesale to a number of large industrial users, such as the Aluminum Company of America, Monsanto Chemical Co., Victor Chemical Works, Reynolds Metals Co., etc.

Accurate and complete accounts are required to be kept, and a financial statement and complete report submitted to the Congress and the President in December of each year covering the preceding fiscal year. The Comptroller General of the U. S. is empowered to audit the books. Net proceeds from sale of power and other revenues are to be paid to the U. S. Treasury after suitable provision in the opinion of the board of directors for operating and capital needs. From June 11, 1933 through June 30, 1947, operating revenues were $260 million, of which $232 million were earned in the seven years preceding. Accounts are kept on an accrual basis, and properties carried at cost, with suitable provision for depreciation and amortization. Statement as of June 30, 1947 reported total assets of $805.7 million, of which $741 million was the value of fixed assets. In addition to borrowing powers, the Authority has received since organization total appropriations of $736.2 million from Congress. It pays no Federal taxes as a Federal agency, but amendment of the Act in 1940 provided for more equitable distribution and increase in payments to States and counties in lieu of taxes.

The Authority is composed of three directors, appointed by the President by and with consent of the Senate for terms of 9 years each, expirations of terms rotating every 3 years. One of the directors is designated as Chairman.

(See Public Utilities.)

TENNESSEE VALLEY AUTHORITY ACT

An act, approved May 18, 1933, which, among other things:

(1) Created the Tennessee Valley Authority to maintain and operate properties owned by the United States near Muscle Shoals, Alabama, in the interest of national defense and for the agricultural and industrial development of the Tennessee Valley and to improve navigation in the Tennessee River and control the flood waters of the Mississippi and Tennessee Rivers;

(2) Authorized the TVA to acquire real estate and build dams, powerhouses, reservoirs, transmission lines and power projects; unite power installations into one or more transmission line systems, contract with commercial producers for fertilizers, manufacture experimental fertilizers, make and sell explosives to the government at cost, produce, sell and distribute power; lease nitrate plant No. 2 for private manufacture of fertilizer; sell $50,000,000 of 3 1/2 per cent. fifty-year bonds to finance improvements and, with Presidential approval, to complete dam No. 2 and the steam plant at the No. 2 nitrate plant at Muscle Shoals; and

(3) Ordered the construction of the Cove Creek Dam across the Clinch River in Tennessee, with a power transmission line from Muscle Shoals.

TERM

The period or duration of a contract, estate, note, acceptance, time draft, bill of exchange, or bond.

(See Maturity.)

TERM LOANS

The term applies to intermediate credit of a capital nature extended by commercial banks and the larger life insurance companies to corporations unable or unwilling to run the risks of capital market underwriting for new capital for such purposes as increase in working capital, purchase of equipment or other fixed assets, and other capital purposes. Commercial banks in particular began to extend such loans in the last decade as an adjustment to changed credit conditions, in which the demand for traditional short-term commercial loans has declined.

Term loans are characterized by regular annual amortization of a fixed principal amount, followed by a large "balloon" final maturity, usually in the tenth year Interest rates are graduated according to the serial maturities, and on the average for the 10-year full term compare with capital market flotations of similar maturity. In addition to periodic amortization, the term loan agreement usually contains a number of protective provisions, such as maintenance of a minimum working capital or current ratio; restrictions on dividends to earnings realized subsequent to the loan and if the minimum working capital requirements are satisfied; restrictions on further borrowing, short term or long term; restrictions on pledging or mortgaging of assets,

or assumption of contingent liabilities; provisions for continuity of management; submission of budgets and financial statements, audited and unaudited; in the event of acts of default, acceleration of all remaining maturities, etc.

Since term loans are an investment banking type of credit, they are usually suitable only for the larger commercial banks, with diversified loans, and are confined to a suitable proportion of the volume of loans. The change in emphasis in examination procedure to importance of ultimate payment rather than the slowness of payment, and the change in the Federal Reserve Act (Sec. 10B) permitting Federal Reserve Banks to make advances on "satisfactory collateral" of member banks if such need arose, have led to a larger volume of term loans by the more aggressive commercial banks. (See Loans.)

TERMINABLE ANNUITY

See Annuity.

TERMINABLE BONDS

Bonds which have a fixed compulsory maturity, as distinguished from indeterminate or perpetual bonds. (See Indeterminate Bonds, Perpetual Bonds.)

TERMINAL BONDS

Bonds which are obligations of a terminal company, which in turn may be owned by, or the property of which may be leased to, one railroad or a number of railroads jointly, usually the latter. Proper terminal facilities are of utmost importance to railroads, and upon these facilities depend the volume, dispatch and cost with which traffic is handled. Terminal costs are usually large and many railroads co-operate in the use of terminal facilities, as evidenced by the frequency of union stations and joint freight terminals. The formation of a terminal company, the property of which (yards, buildings, tracks, etc.) can be mortgaged to secure additional capital, accounts for the origin of this class of bonds.

The revenue accruing to a terminal company is derived from charges to the railroad companies using the facilities, apportioned on the basis of traffic.

Terminal bonds are frequently guaranteed by the railroads sharing the company's facilities. When terminal bonds are secured by valuable property located at important railroad centres, or shipping points, with earnings in excess of interest charges, or are guaranteed by railroads of high credit standing, they constitute a high grade investment.

TERMS OF SALE

This term has two meanings:

(1) The price basis asked for something offered for sale.

(2) The conditions, other than price, under which goods are sold, and usually the conditions under which payment is to be made, particularly time of payment at the price named and discounts offered for payment before the date of stipulated payment becomes due. Goods sold at wholesale, and many retail accounts, are arranged on a credit basis, with payment expected on certain dates after sale. Wherever goods are sold on credit, there is a definite understanding as to the time of payment. This statement of understanding is familiarly known as "terms of sale," or might also be known as the terms of credit, since it refers to the time that the credit is allowed.

In retail trade, terms are net without discount. That is, no discount is allowed from the price quoted at the time of the sale, but payment is expected in accordance with the terms of sale. In wholesale trade, however, the price quoted is on the basis of payment within ten days, thirty days, sixty days, etc., and a discount is allowed if payment is made before. For example, the terms of sale for fresh meats are usually on a weekly basis, while groceries are generally sold on terms of 1 per cent. discount if paid in ten days, or thirty days for payment are allowed if no discount is to be taken. Terms of sale in the grocery trade are quoted 1 per cent, ten days, net thirty days, meaning that the buyer has the option of paying the full amount of the bill in thirty days, or of paying cash less 1 per cent. in ten days. The latter is a cash discount transaction.

The terms of sale are influenced by the rate of turnover in the trade as well as by the system of marketing. Where the turnover is rapid, as in the case of meats and groceries, the terms of sale are short, but in dry goods they are longer, and in furniture still longer. In dry goods, the usual terms are 2 per cent. ten days, net sixty days extra (due in seventy days). (See Auction.)

TERRITORIAL BONDS

See Insular Bonds.

TESTAMENT

A term in former use now largely supplanted by the term Will (q. v.).

TESTATOR

One who makes a Will (q. v.).

TESTATRIX

Feminine form of Testator (q. v.); a woman who makes a will.

TEST NUMBER

In order to insure the authenticity of cable transfers, banks and foreign exchange, dealers prefix or append a code number or word to the message as a proof of its validity. This test number usually changes with each message, and since the formula for computing or decoding a test number is kept under lock and key and subject only to official supervision, it authenticates a message just as an officer's signature validates a bank draft. An example of a typical test word formula is: "Add together the day of the month upon which the message is sent, the number corresponding to the day of the week (accompanying table), and the month (same table), and the numbers for the amount in thousands, hundreds and units (same table). Then add your private number which is _____."

In order to further safeguard the private number, it is usually fixed after the formula has been made, or it may be cabled separately. Although the above mentioned formula numbers are permanent, or are changed at infrequent intervals, the test number usually varies with each cable. It is more difficult to solve a test number without the formula than to forge a signature. (Wolfe, O. H.: Practical Banking).

TEST WORD

See Test Number.

TEXTILES

During the past two decades, development of the textile industry in the United States has been featured by the rapid development of the rayon industry, both absolutely and in proportion to total textile consumption.

Since 1926, the aggregate and relative consumption of textile fibers in the United States has compared as follows:

(millions of pounds)

	1926	Per Cent.	1936	Per Cent.	1947	Per Cent.
Cotton	3,214.8	87.3	3,470.2	81.5	4,710.7	73.6
Wool (Scoured)	342.7	9.3	406.1	9.5	698.0	10.9
Rayon	60.6	1.6	322.6	7.6	987.9	15.4
Silk	65.9	1.8	57.8	1.4	2.5	0.1
Total	3,684.0	100.0	4,256.7	100.0	6,399.1	100.0

Source--Rayon Organon.

(See Cotton, Wool.)

THALER

A silver coin of Germany, formerly current, worth three marks. (See Mark, Reichsmark.)

THIN MARGIN

A small margin; a "shoestring" margin; a margin which gives the owner only a small equity in his purchase.

A narrow or insufficient margin which leaves the speculator's account in an exposed and precarious condition in case of a declining market. Brokers customarily do not carry stocks on margin for customers unless there is ample margin, and will not continue carrying the stocks until the margin is exhausted.

THIRD MORTGAGE

A mortgage placed upon property which is already encumbered with a first and second mortgage. For instance, a piece of real estate appraised at $50,000 may be encumbered with a first mortgage of $20,000 and a second mortgage of $10,000. If the owner wishes to raise an additional $5,000 by using the property as security, a third mortgage will be created, making a total mortgage indebtedness of $35,000. In case of foreclosure, a third mortgage would not be paid until both the first and second mortgages have been fully satisfied.

In practice, third mortgages are rare, since it is difficult to find a lender on this class of security, although where the sum of the first and second mortgages constitutes a debt of less than one-half of the appraised value of the property, there is nothing intrinsically unsound in lending a small amount on a third mortgage. To avoid the stigma of borrowing on a third mortgage, the property owner in the above example would likely, if he desired to raised additional money, pay off the first and second mortgage loans and issue a single first mortgage for $35,000.

(See Mortgage, Second Mortgage.)

THIRD MORTGAGE BONDS

Bonds secured by a mortgage upon property already encumbered with an issue of first or second mortgage bonds. Such bonds represent a third lien upon the assets and earnings of the issuing corporation. Third mortgage bonds are rare, but among certain railroads, general or consolidated mortgage issues, part of the property falling under such general or consolidated mortgages is oftentimes already encumbered with a first and second mortgage.

(See Third Mortgage.)

THIRD OF EXCHANGE

See First of Exchange.

THIRD TELLER

Another name for Mail Teller (q.v.).

THOMAS AMENDMENT

The popular name for Title III of the AAA Farm Relief and Inflation Act, approved May 12, 1933. It was the first of major legislation on gold and silver, and was the antecedent of the Joint Resolution of June 5, 1933 (q.v.); the Gold Reserve Act of 1934 (q.v.); and the Silver Purchase Act of 1934 (q.v.).

For a summary of the major provisions of the Thomas Amendment, see Silver (under U. S. Legislation).

THREADNEEDLE STREET

The street in London in which several banking institutions, including the Bank of England, are located,and by extension, one of the popular names for the London banking district. Lombard Street is another street in London around which financial activities are centered, and is a more popular designation for the financial district than Threadneedle Street. It corresponds to our use of Wall Street as a popular designation for financial New York. (See Lombard Street.)

THREE-NAME PAPER

Notes, bills of exchange, bank and trade acceptances—usually some form of commercial paper—with three signatures, (either as makers or indorsers) responsible for payment, and representing separate interests, e.g., a note signed by two makers and having one indorsement, or an acceptance with the name of the drawer, acceptor and one indorser. (See Single-Name Paper.)

THRIFT DEPARTMENT

A name sometimes given to what in reality is a savings department operated in connection with state banks and trust companies in those states, e. g., New York, where the banking laws prohibit the use of the term "savings" when advertising or soliciting such accounts. State banks and trust companies, as well as National banks, may accept time deposits and since savings deposits are a type of time deposits, there is nothing to prevent these banks from soliciting time deposit accounts, if the use of the term "savings" is avoided. The purpose of this law, where enacted, is to restrict the use of the term "savings" to savings banks exclusively. To comply with the law, therefore, accounts for this department are solicited under the name of "thrift" accounts, "special interest" accounts, "compound interest" accounts, or "time deposit" accounts. (See Savings Accounts.)

THRIFT SOCIETY

A term usually applied to an association of employees in a business institution for the purpose of promoting habits of thrift among them by receiving savings from its members and investing them more profitably than would be possible in a savings bank. Frequently the company supervises the investment of the thrift fund and guarantees payment of the principal and interest at a certain rate.

TICAL

The international current unit of Siam (Thailand), equivalent to 100 satang. (See Foreign Moneys--table 2.)

TICKER

The popular name given to an electrical typewriter, introduced in 1867 for the purpose of transmitting market quotations, and operated from the board room of a stock or other exchange. Quotations are printed on a narrow ribbon of paper known as tape, and are transmitted by telegraph to instruments rented to subscribers throughout the entire United States.

The New York Stock Exchange maintains two ticker services, one for stocks and one for bonds. The stock ticker is operated by an electrical collator which is so constructed that it automatically receives and distributes the quotations from the sending operators located on the floor or board room of the exchange. The floor operators sit at typewriter keyboards and receive slips containing records of transactions—giving number of shares and prices—from floor runners. Actually no typing is done, the record appearing in the form of perforations on a tape, which is fed from the machine to an electrical transmitter. It is this perforated tape passing through the transmitter that telegraphs the quotations to the collator. The collator is a switching device which automatically receives from one operator and cuts out the others. When quotations from one operator are fed into the collator, the switch automatically cuts him out and begins to receive from another who has quotations to communicate. All operators can thus work simultaneously and at full capacity although the line to the collator is open to only one at a time.

In 1930, a new high-speed ticker was introduced. The difference between the new ticker and the predecessor device was that the former ticker stopped for selection of characters when it printed a character; the new ticker does not so stop. The function is in two parts: it selects the character on the type wheel and then prints it. The new ticker will print and select at the same time. It will shove up its functions until they overlap. The old ticker got its name from its ticking. It ticked and printed. The new ticker prints with every tick; prints ten characters a second, one every tenth of a second or 600 per minute. This means two stock market transactions every second. The new ticker comprises an electric motor—one-seventeenth horsepower and especially built—operated from local electric light supply. This speed is controlled by an adjustable governor. This motor drives two shafts, a selecting shaft and printing shaft. The selecting shaft selects the character to be printed; the printing shaft prints it. The characters to be printed are determined by the conjoint action of the selecting shaft and a controlling magnet operated by a transmitter at the Stock Exchange.

Through permutation control, a technical term meaning control of the printer instrument in brokers' offices, it is possible to bring about various combinations of the use of a small number of units to control a large number of conditions. The transmitter makes the type wheels of all the printers in all the offices rotate in unison with its own direction. The transmitter does this by operating a polarity reverser. A polarity reverser reverses the direction of the flow of current on a circuit. It alternately runs up hill and down hill. A perforated tape permutation set up in the control apparatus stops the transmitter and causes the character corresponding to the permutation selection to be printed. A number of men operate keyboards like typewriter keyboards. As they punch the keys, they perforate the tape and the tape is passed through boxes that have teeth that make contacts through the holes in the tape or fail to make contacts where there are no holes, thus resulting in the desired characters in the transmission.

There is a surplus of tape when the transmission fails to keep up with the market. The operators of the machines always keep up with the market. Their surplus of tape is stowed in baskets. They can go away from their machines, on the heaviest days, and coming back find tape of their punching still waiting to run out. The failure of the ticker to keep up with the market has never been a human problem, but rather a mechanical problem. The problem has been to make a machine that would take the perforated tape fast enough and not how to make the operators punch faster.

Formerly, the ticker was faster than the single operator; now permutation control makes possible the employment of many operators. There are operators always punching tape between ten in the morning and three in the afternoon and they are relieved from time to time. They punch a number of transactions on their tape and then punch a release key which releases the system to the next position. The permutation keys are used to print characters; there is one that is punched to disconnect, and when this one is struck it opens the system to another operator. This transfer to another operator is not noticeable on the tape except to the trained observer, being a part of automatic control.

More than 9,000 of the new tickers were installed throughout United States and Canada in the 15 months prior to September 2, 1930, and put in operation for the first time on that day. Of these, about 2,800 were operated by the New York Quotation Company, a subsidiary of New York Stock Exchange, and about 6,200 by Western Union Telegraph Company. The former serves firm members and their branches and the latter nonmembers.

In 1925, a projection device was introduced by which stock exchange quotations are projected on a screen from the tape as they are printed. The quotations move along as printed and about six quotations are visible at a time. The projector is similar to that used in moving pictures or a stereopticon. These projectors are now widely used in the customers' rooms of brokerage offices, although they do not dispense with the use of the boards which show the high, low, and latest quotations for the day, as well as the previous day's closing prices. A projection machine has also been installed on the floor of the stock exchange so that it is no longer necessary for the floor traders to leave their posts to read the tape.

Ticker services are also maintained by the New York

Curb Exchange, the New York Cotton Exchange, the Chicago Board of Trade, and other leading exchanges. In addition to quotation tickers, a highly important ticker service is the Dow Jones News ticker, which constantly operates before, during and after the close of the Exchange, publishing news and quotations affecting the market as such news matter becomes available. (See Quotation Ticker, Ticker Abbreviations.)

TICKER ABBREVIATIONS

New York Stock Exchange ticker abbreviations may be explained as follows:

One price following the abbreviation of a stock signifies a sale of 100 shares. Thus, NP. 20 means the sale of 100 shares of Northern Pacific at 20.

When more than 100 shares are sold, the number of shares sold precedes the price. Thus, NP. 2.20 1/2 means the sale of 200 shares of Northern Pacific at 20 1/2. NP. 3. 20 3/4.1/4.1/2. means the sale of 300 shares of Northern Pacific at 20 3/4 followed by the sale of 100 shares at 20 1/4, and another 100 shares at 20 1/2.

An offer alone without a bid is preceded by an 0. Thus, NP.0.19 means an offer of 19 for Northern Pacific.

A bid alone without an offer is followed by a B. Thus NP .19 1/2B. means a bid of 19 1/2 for Northern Pacific.

When a sale is not reported in its right place, the price is preceded by the abbreviation SLD. Thus, NP. SLD. 20 1/2 means that a sale of Northern Pacific has not been reported in the right place.

When an error has been made by a reporter, or in printing, the last letter or figure is repeated several times, indicating that the quotation is to be eliminated. Thus, NP. 20 1/2 1/2 i/2 1/2 means that a sale of Northern Pacific is to be disregarded.

For abbreviations of the stocks on the New York Stock Exchange, see New York Stock Exchange Abbreviations.

TICKET DAY

See Settlement Days.

TICKLER

A Maturity index.

A book in which the maturity dates of notes, discounts, acceptances, bonds, and sometimes dividends, interest payments, and the like are journalized, to serve as a future reminder to the bank or brokerage house that these instruments will need attention at some future date.

The most important tickler in a bank is that for showing the maturity of notes and acceptances. It is essential that a note be presented on the maturity date in order to hold the indorser liable. The note maturity tickler, therefore, is indispensable in the management of a bank, whether large or small, in order to guarantee presentation of notes at maturity and thereby protect the bank from possible losses through the release of indorsers, should presentation be neglected.

The purpose of a note maturity tickler is to record all notes in such a way as to indicate the dates on which they mature. This is accomplished by journalizing (recording chronologically) notes by maturity dates at the time they are discounted or purchased. Consecutive pages in the tickler are devoted to consecutive maturity dates. By reference to the tickler, consecutive pages of which are headed with consecutive dates, it is possible to tell at a glance what notes are maturing on any given date and the amount of the total maturities for any given day.

Maturity ticklers are also maintained to indicate compulsory and optional maturity dates of bonds which a bank holds as its own investments.

TIGHT MONEY

When credit is difficult to obtain, although high grade collateral is offered, and high interest rates prevail, money is said to be tight. (See Stringency.)

TILL MONEY

Money for use at the counter, as distinguished from that kept as reserve in the vault, or deposited with other banks. The paying-teller is usually exclusive custodian of the till money necessary for current "over the window" use. (See Paying Teller.)

TIMBER BONDS

The term applied to bonds issued to finance logging and lumber-making operations, and secured by timber lands. These bonds were formerly current in the lumber industry as a means of raising needed capital, particularly after the turn of the century, when Chicago was the principal market for these issues, and there were a number of independents operating in the Middle Western timber areas. Leading lumber companies publicly owned at present are the Long Bell Lumber Company and the Weyerhaeuser Timber Company, both operating in the Northwest, where the center of the lumber industry has shifted.

TIME BILLS

See Bill of Exchange, Draft, Foreign Bills of Exchange.

TIME CERTIFICATE OF DEPOSIT

See Certificate of Deposit.

TIME DEPOSITS

Deposits which are not subject to check, and on which the bank may require 30 days notice of intention of withdrawal. The Federal Reserve Act (section 19) before amendment by the Banking Act of 1935, which left the definitions of deposits to the Board of Governors of the Federal Reserve System, defined time deposits as comprising "all deposits payable after 30 days, all savings accounts and certificates of deposit which are subject to no less than thirty days' notice before payment, and all postal savings deposits."

As defined by the Board of Governors of the Federal Reserve System, the term "time deposits, open accounts," is held "to include all accounts not evidenced by certificates of deposit or savings pass books, in respect to which a written contract is entered into with the depositor, at the time the deposit is made that neither the whole nor any part of such deposit may be withdrawn by check or otherwise, except on a given date or on written notice which must be given by the depositor a certain specified number of days in advance, in no case less than 30 days."

Member banks wherever located are required to keep a reserve of 7 1/2 per cent. against time deposits, in

accordance with latest revision of reserve requirements effective September 16-24, 1948.

According to the New York state banking law, time deposits are those the payment of which cannot legally be required within thirty days. (See Deposits.)

TIME DRAFT

See Draft.

TIME GROUP

A term used among collection and transit clerks to indicate a group into which out-of-town checks are assembled to be forwarded for collection through the Federal Reserve Check Collection System (q.v.). The proceeds of out-of-town checks become available as reserve to the sending bank in a certain number of days indicated by the Federal Reserve Schedule Showing When Proceeds of Items Will Become Available (q. v.). This schedule divides out-of-town checks into a certain number of time groups, each Federal Reserve bank making its own schedule. For the New York Federal Reserve bank four time groups known as (1) immediate credit points; (2) one-day points; (3) two-day points; and (4) three-day points are shown in the schedule. (See Transit Department.)

TIME LOAN

A loan which becomes payable on a future specified date and which is not terminable at the option of either borrower or lender before that time. In practice, a bank will usually accept payment of a time loan before compulsory maturity with a pro rata abatement of interest or discount. (See Loans.)

TIME LOCK

A mechanical contrivance for preventing the opening of the door of a vault even though the combination is worked, before the hour set for opening by adjusting the attached clock.

TIME MONEY

Money loaned for a definite period and payable on a specified future date, as distinguished from call or demand money. (See Money Rates.)

TIME PAPER

A general term including all forms of notes, acceptances, bills and drafts maturing on specified future date, as contrasted with paper payable on demand. (See Loans.)

TIME TO RUN

When a note evidencing a time loan is presented to a bank for discount, it must be timed, in order to ascertain the precise maturity date and the amount of the discount. A 90 day note dated April 1, may be presented for discount on April 15. While its term is 90 days, its time to run is the number of days elapsing between the date of discount and its maturity. In calculating the time to run, an exact count of the number of days is taken, e. g., in the above illustration the time to run is 75 days (discount is computed for 75 days) and the maturity date falls on June 29 (not June 30). If the maturity date should fall on Sunday, or a holiday, the note becomes payable, in most states, on the following business day. Accordingly another day, or days, may be added in computing the discount. In some states notes falling due on Sunday are collectible on the Saturday preceding. Reference must be made to the laws governing the collection of notes in the various states, including the Negotiable Instruments Law as adapted by the particular state.

TIN

One of the important commercial base metals, this metal, like copper, has been known and used since ancient times. Tin mines at Cornwall (England) are the oldest known, having been operated for centuries. Up to about 1885, the world tin production was obtained almost exclusively from Cornwall and the Far East.

Metallurgy.—Due to its higher price, the use of tin is much less than in the case of copper, lead or zinc. The qualities which give tin its industrial advantage are: not readily acted upon by weak acids, including vegetable, fruit and animal juices; and resistance to oxidation under ordinary conditions. Therefore, tinplate is used largely in the canning industry for preservation of food products, as well as in kitchen utensils and roofing. Tinplate is sheet iron coated with tin, and this semi-finished material is much cheaper than solid tin. The tin plate industry in the United States normally takes about 50% of tin consumption. Tin is also used in the manufacture of solder and tin foil, as an alloy with other "composition" metals.

Production.—The chief source of supply is the Far East, which contributes over 60 per cent. of world production. About 60 per cent. of the tin produced in the Far East is from the Malay Peninsula, and about 30 per cent. from the Dutch East Indies, the balance coming from Siam, China and Burma. In the Far East, mining is carried on through dredging or washing gravel, with consequent low production costs. In Bolivia, representing about 12 per cent. of world production, tin is obtained by shaft-mining operations at higher costs. While in England the mines extend to great depths, Cornwall now represents a minor portion of world tin production. Africa, including Nigeria and Congo, produces less than 10 per cent. of the world's output, the balance being obtained in Cornwall, Australia, Spain, Mexico and other countries. Tin is not produced in commercial quantities in the United States, which alone consumes over 60 per cent. of the world consumption.

Other than production controlled by the Netherlands Government, British companies control the main source of tin supply. World production of tin in 1947 recovered to about 114,000 tons, compared with low of 86,000 tons in 1945, high of 246,000 tons in 1941, and 173,000 tons in 1939 (long tons). There is also a secondary source of supply from scrap and other sources, which in the United States contributes about 24,000 tons to supply.

While "Straits Settlement" tin (tin refined at smelters in Singapore and Penang) constitutes the greater part of the tin imported into the United States, smelting of tin is performed in this country in the Texas City, Texas Government-owned smelter which uses Bolivian concentrates.

Uses.—The most important single use of tin is tinplate, which is employed mainly in the manufacture of tin containers for the preservation of fruits, vegetables, meats and other food products, as well as containers for motor oil, tobacco and numerous articles. Tin is

the chief ingredient in collapsible tubing used as a container for toothpaste and other pharmaceutical products, as well as in tin foil.

Tinplate is also used in the manufacture of kitchen utensils, and for roofing. Through the latter use, as well as the extensive use in the manufacture of solder and as an alloy with other metals, it is an important product in the building industry. Tin is an indispensable alloy in producing various commercial metals, such as babbitt and other bearing metals, tern plate, bronze, gun metal, pewter, and type metal. Directly and indirectly, tin is used in numerous industries. The United States consumes about 62 per cent. of world tin production, with the United Kingdom second in importance among consuming countries.

Production Control.—Tin is one of the few raw materials over which production control has been established with apparent success. The International Tin Committee was formed to control tin production, as of March 1, 1931, in the Federated Malay States, Dutch East Indies, Bolivia and Nigeria, representing about 90 per cent. of the world's productive capacity. Subsequently, Siam, French Indo-China and certain African territories became participants, increasing the production controlled to over 95 per cent. of productive capacity. While the original agreement terminated December 31, 1933, it was subsequently extended. The International Tin Pool, formed in September, 1931, to hold excess stocks, was able to gradually liquidate most of its holdings in the latter half of 1933. Under the International Tin Committee agreement, production quotas and export quotas were established as percentages of agreed tonnages allotted to the principal producing countries.

During World War II, supplies of tin and tin ores were centralized in the Combined Raw Materials Board, which was succeeded in 1945 by the Combined Tin Committee, which body now controls international allocations of exports to consuming countries. Members of the Committee are: United States, United Kingdom, France, Belgium, Netherlands, Canada, China and India.

In the United States, under legislation effective June 1, 1948, and extending through June 30, 1949, allocation, price and distribution controls and the stockpiling program have been continued. The Tin Sales Corporation, agent for the Reconstruction Finance Corporation, in 1948 raised the price for United States consumers to $1.03 per pound, in coordination with the British Ministry of Supply, which performs similar functions for Great Britain. Most of the tin consumed in the United States is purchased from Bolivia.

Market.—For many years, the London Metal Exchange has been the active and dominant market for tin. However, dealers and brokers maintain a "spot" market in New York, and a futures market was conducted on the Commodity Exchange, Inc. until advent of Wartime controls over prices and allocations, such futures market continuing suspended with the Reconstruction Finance Corporation setting prices for United States consumption. In both London and New York, the trading unit is five long tons (2,240 pounds each) or 11,200 pounds. In London, tin is quoted in Sterling per ton, and in New York in cents per pound. In the New York market, "Straits Tin" (tin refined at Singapore and Penang, 99.9 per cent. pure) is the usual grade quoted.

In the past, tin has been subject to wider price fluctuation than most other metals. The lowest price in the past 50 years was 12.62 cents per pound in 1896, and the highest price $1.10 per pound in 1918. The highest average monthly price of "Straits Tin" in New York in 1929 was 49.37 cents per pound, and the lowest price during the depression was 18.35 cents in 1932.

In 1948, price established by the Reconstruction Finance Corporation for United States consumption was advanced to $1.03 per pound, as compared with price of 70¢ per pound established by the RFC upon termination of price controls by the OPA in November, 1946, and subsequent prices of 80¢ (April 2, 1947) and 94¢ (December, 1947).

TIP

An unsupported statement or advice given a person concerning the movement of a particular security, in supposed confidence and secrecy, but without revelation of the source of information, or facts to demonstrate its logic. Tips are given by legitimate bankers and brokers, and by "insiders" who have a knowledge of facts upon which to base their judgment, but who are not always in a position to disclose these facts. Such tips are honest. Tips are also given by unscrupulous brokers, professional tipsters and charlatans with the intention to misrepresent and deceive. Most tips are based upon guess-work, rumor, or pure fabrication. No tips should be acted upon without investigation, or at least without knowing the reputation of the informant. Tips are one of the manipulative or deceptive devices prohibited by Sec. 9 of the Securities Exchange Act of 1934. (See Copper a Tip.)

TIPSTER

One who gives advice to buy or sell a certain security but without furnishing information and reasons. One who gives advice to buy or sell a certain security, especially the professional charlatan who usually specializes in questionable or highly speculative securities. Such advice is usually offered with an ulterior motive and should not be acted upon. Because of the operations of the professional tipster, a stigma has come to be attached to this term. Tipsters of the professional type are banned by Sec. 9 of the Securities Exchange Act of 1934, and through the registration provisions of the Investment Advisers Act of 1940. The States also proceed against professional tipsters under local Blue Sky Laws. (See Tip.)

TITLE

The evidence of a person's right to or ownership in a piece of property. In the case of real estate, the documentary evidence of ownership is the title deed. (See Abstract of Title, Title Deed, Title Insurance.)

TITLE COMPANY

See Title Insurance Company.

TITLE DEED

The documentary evidence of a person's ownership of a piece of land. Such a deed specifies in whom the legal estate is vested and the history of the ownership and transfers from one person to another from the original grant to the present owner. Title to land may be acquired in one of five ways: (1) purchase; (2) inheritance; (3) devise; (4) gift; or (5) through foreclosure of a mortgage. (See Abstract of Title, Title Insurance.)

TITLE GUARANTY

See Title Insurance.

TITLE GUARANTY COMPANY

See Title Insurance Company.

TITLE INSURANCE

A contract by which the insurer, usually a title insurance company, for a valuable consideration, agrees to indemnify the insured for a specific amount against any loss which may arise through the appearance of defects of title to real estate, wherein the latter has an interest as purchaser, mortgagee, or otherwise. Such a contract is recognized as a true indemnity for loss actually sustained by reason of the defects or encumbrances against which the insurer covenants to indemnify. Title insurance involves a careful examination of the evidences of title by the insurer who employs, or is himself, a skilled conveyancer. (See Title Insurance Company.)

TITLE INSURANCE COMPANY

A company, usually operated in conjunction with a mortgage company, which examines titles to real estate, determines their status at law, and insures their validity to interested persons, whether owners, purchasers, or lenders, and whether the insuring company makes a loan on such property, or not. A purchaser of, or lender on, real estate (mortgagee), is entitled to an abstract of title and the seller (or borrower) must be able to transfer a clear title to the purchaser (or mortgagee). Ordinarily, abstracts of title are prepared, and the title verified, by a lawyer who states only an opinion and neither guarantees the validity of the title, or defends any claim that may be set up against it. A title insurance company, however, a large part of the personnel of which is composed of lawyers, agrees to indemnify the owner of a title against any loss which may be sustained through the subsequent development of a defect. A title insurance policy is the evidence of the title insurance. Its cost depends upon the value of the property and the degree of risk involved, as shown by the condition of the title.

TO ARRIVE GRAIN

Grain to be shipped (not to arrive) from 3 to 90 days after purchase according to contract, as distinguished from cash grain, and grain for future delivery.

TO BEARER

See Pay to Bearer.

TO ORDER

See Pay to Order.

TOBACCO

One of the three largest money crops in the United States, owing largely to the greatly increased consumption of cigarettes, more than half of the leaf tobacco produced being consumed by the cigarette industry. Production of tobacco in 1947 rose to 2,168 million pounds, compared with 2,319 million pounds in 1946; 1,262 million pounds in 1941; and low in recent years of 1,018 million pounds in 1932. Most important of the tobaccos is flue cured tobacco, which accounts for over half of total tobacco crop and is used in the production of cigarettes, pipe and chewing tobaccos. Second in importance is burley tobacco, accounting for about 20% of the tobacco crop and also used in the manufacture of cigarettes, pipe and chewing tobaccos. Consumption of cigarettes, principally in the "Big Three" blends (Camels, Chesterfields and Lucky Strike) reached a new high record in 1947, exceeding the previous high of 352 billions in 1946 by 4%, as contrasted with cigar production of 5.7 billions in 1947, a decline of 5% below 1946 production.

Most important type of market for tobacco in the United States is the auction or loose leaf markets in the various producing States, the principal producing States being North Carolina, Kentucky, Tennessee, Virginia, South Carolina, Georgia, Pennsylvania, Ohio, Wisconsin, Maryland and Connecticut. Tobacco is one of the crops supported by the parity price program, the base period for flue-cured and burley tobaccos being August, 1934-July, 1939. Formerly, a tobacco futures market was maintained in New York by the New York Tobacco Exchange, Inc., but this exchange closed on December 29, 1934 because of lack of business.

Because of the importance of blends in cigarette and cigar production, tobacco is an international commodity. Among world producers, the United States and India are the largest, accounting for about half of world output, but many countries produce tobaccos of particular qualities essential for various blends, including China, Russia, Brazil, Japan, Turkey, Greece, Bulgaria, Philippine Islands, Cuba, Italy, and the Dutch East Indies. Among exporting nations, the United States is the largest, because of its importance as a cigarette producer.

TOKEN COINS

See Token Money.

TOKEN MONEY

Fractional silver coins (50 cents, 25 cent and 10 cent pieces) and minor coins (5 cent and 1 cent pieces), which constitute the subsidiary coinage, as distinguished from standard money and paper money. The characteristics of token money are:

1. Issued in small denominations. Token money is primarily a tool for "making change."

2. Made of different metal than the standard coin—of silver, nickel and copper. This is necessary because a coin of small denomination if made of the standard metal—gold (under the Gold Reserve Act of 1934 gold coinage and gold coin circulation are forbidden)—would be too small for convenience in handling.

3. Shortness in weight. Token coins do not have the intrinsic value called for by their nominal value. They are worth more as coins or purchasing power than as metal or bullion. The purpose of this provision is to prevent token coins from being melted,thus insuring their permanence in circulation. It also prevents them from being hoarded or exported because they are worth more as coin than as metal. Fractional silver coins suffer a reduction in weight by about 6 per cent. of the bullion value of the silver dollar. To illustrate, a silver dollar contains 371.25 grains of pure silver. Fractional silver coins contain only 345.6 grains of pure silver for two halves, four quarters, or ten dimes.

4. Coinage on Government account only. It is evident that if coins are issued at a nominal value, which is

about the cost of the metal contained in them, the issuer—the Government—makes a profit or seigniorage. This profit inures to the benefit of the Government and not to a private person.

5. Limit in amount coined. Token coins are minted to the amount which experience shows is necessary for the purpose of trade. The purpose of this restriction is to insure token coins from falling below par. If token coins were minted without limit, they would soon assume the same coin value as metal.

Under the Joint Resolution of June 5, 1933, which amended the Thomas Amendment (Sec. 43) of the AAA Farm Relief and Inflation Act of May 12, 1933, all coins and currencies of the United States heretofore or hereafter coined or issued, are legal tender for all debts, public and private, public charges, taxes, duties, and dues. Since this law prescribed no limitations, Token Money is full legal tender.

The Thomas Amendment provided that the gold dollar shall be the standard unit of value, and all forms of money issued or coined by the United States shall be maintained at a parity with this parity. It is the duty of the Secretary of the Treasury to maintain such parity.

TOLERANCE

Allowance made for the deviation of coins from the specifications as to weight and fineness prescribed by statute. Tolerance is of two kinds: (1) for variation, or percentage of error, allowed to the mint, also known as "remedy," or "remedy of the mint;" (2) for abrasion, or reduction in weight through circulation, allowed without impairing full legal tender value. The tolerance allowed the mint is for error in fineness and error in gross weight. The tolerance for error in fineness is 1/1000, i. e., a coin may be .901 or .899 fine and still be legal. The "General Instructions and Regulations" of the United States Mint, however, state that no bullion should be coined that varies beyond the limits of .8997 and .9003. For silver dollars, the tolerance is one and one-half grains.

Under Sec. 5 of the Gold Reserve Act of 1934, no gold shall hereafter be coined, and all gold coin was withdrawn from circulation.

For the tolerance allowed for abrasion through circulation see Light Coin, Light Gold.

TOMAN

A gold coin of Iran (Persia), formerly current, and money of account. The international currency unit of Iran is the rial, equivalent to 100 dinars. (See Foreign Moneys—tables 1 and 2.)

TON-MILE

The unit of railway freight service, and of costs and revenue. This unit is represented by the carriage of one ton of freight one mile. Annual freight revenues divided by ton-miles results in the average revenue per ton-mile, a basic indicator of profitableness of railroad operation. (See Railroad Earnings.)

TOP

A term having reference to the conclusion of a period of rising prices on a stock or commodity market, i. e., when the highest prices for the upward movement have been attained. It is usually the point or plateau at which general optimism, as demonstrated by public participation in the market is shown, and when professional operators distribute, i. e., unload their holdings. The top of a market is reached in a period of great prosperity, but before the turning point in commodity prices. (See Business Cycle.)

TOP PRICE

The highest price quoted for a stock or commodity, or the highest average price for the market as a whole, for a single day's trading, for a movement, or entire speculative cycle.

TOPHEAVY

A term to describe the condition of a single security, or the market, when prices have reached a level too high to be warranted by conditions, and which therefore may be expected to react; the condition of a market when prices have advanced rapidly and a decline is in prospect.

TORONTO STOCK EXCHANGE

Founded in 1852, and since its merger in 1934 with the old Standard Stock and Mining Exchange (also located in Toronto, the most important securities market in Canada. The Standard Stock and Mining Exchange was formed in the latter part of the 19th century, and had grown to be the world's largest purely mining stock exchange. As a composite listing of industrial, commercial, banking and mining shares, the stock list comprises the largest proportion among Canadian security exchanges of the corporate securities of Canada.

Growth and importance of the exchange were officially recognized in 1878 when a Special Act of Parliament was invoked granting to the Toronto Stock Exchange "the right of constitution of a body politic and corporate." In 1887 a permanent place of business was obtained. A membership fee of $5 was charged and a fee of $10 was imposed on corporate listings. These early charges offer a comparison with 1929's high of $2,20,000 for a membership and a sharply graded listing fee on securities. As the largest Canadian securities exchange, the Toronto Stock Exchange fulfills a major function in the maintenance of a listed market for Canadian securities, thus aiding in this respect in Canadian financing. Following a steady decline in each of the 10 years ended 1946, the volume of security issues in Canada turned sharply upward in 1947, such financing having been accomplished almost entirely in the domestic market.

TORRENS SYSTEM OF LAND TITLE REGISTRATION

The popular designation, Torrens System, is taken from the name of its founder, Sir Robert Torrens, who as land commissioner and registrar-general, established the system in Australia in 1858. Under this system an owner of land may apply for a certificate of title to be issued by the registrar of the county. This certificate is similar to a ledger page as commonly used in bookkeeping accounts. The original certificate constitutes one page in the title book in the registrar's office, upon which all the facts with regard to the title of the particular piece of ground affected are entered, i. e., description of the property, name of the owner in fee, and the mortgages and other liens or encumbrances standing against it. A duplicate of the original of this

certificate or ledger page is given to the owner as his evidence of title.

The certificate of title gives to the owner a declaration or statement of his title which is indefeasible and incontestable. In order to ascertain the condition of a title it is necessary only to scrutinize this ledger page certificate and whatever may be noted there may be finally and absolutely accepted as the condition of the title. No mortgage, judgment, lien, dower claim, ancient right of heirs, or any other claim can be set up or claimed unless it is noted upon this certificate. By its policy of title insurance, a title company simply promises to defend a person's title in case of a lawsuit. The Torrens system, however, is calculated to prevent lawsuits, i. e., the law provides that no claim can be set up against the title or enforced in a court, unless the claim is stated upon the certificate. This advantage is accomplished because of the fact that the first certificate issued is founded upon a final judgment of the court and back of every certificate is the sovereignty of the state declaring the title to be absolutely indefeasible and incontestable. After the first registration no searching is required and the title cannot be questioned.

The chief defect of the present system is that no purchaser of real estate can be certain of his title until he has employed an attorney to examine the title from the current date back to the original grant. This examination is expensive and must be repeated with each sale, because no prospective purchaser will be content to buy without being assured of the title.

The success of the plan in Australia caused it to spread rapidly to various English colonies. England adopted a law in 1862, and in 1897 it was made compulsory in London. In 1865, the system was established in Ireland. In Canada it is today practically universal.

In the United States registration laws have been established in 19 states as follows: California, 1897 (amended 1914); Colorado, 1903; Georgia, 1917; Illinois, 1897; Massachusetts, 1898; Minnesota, 1901; Mississippi, 1914; Nebraska, 1915; North Carolina, 1913; North Dakota, 1917; New York, 1908; Ohio, 1896; (constitution amended 1912); Oregon, 1901; South Carolina, 1916; South Dakota, 1917; Tennessee, 1917; Utah, 1917; Virginia, 1916; Washington, 1907. The system was adopted by the United States Government for the Philippine Islands in 1902, and for Hawaii in 1903.

The certificate system of land registration has not met with success in every state. The Massachusetts law is one of the most successful and has served as a model for that of the Philippine Islands, Hawaii, New York, Minnesota, and a few other states.

TRACTION SECURITIES

Stocks and bonds of electric railway companies, whether surface, elevated, subway, or interurban railways, as distinguished from the securities of steam railroad companies. (See Street Railway Bonds.)

TRADE ACCEPTANCE

A bill of exchange drawn by the seller (drawer) on the purchaser of goods sold and accepted by such purchaser (drawee). As defined by the Board of Governors of the Federal Reserve System, "a bill of exchange drawn to order, having a definite maturity and payable in dollars in the United States, the obligation to pay which has been accepted by an acknowledgment, written or stamped, and signed across the face of the instrument by the company, firm, corporation, or person upon whom it is drawn; such agreement to be to the effect that the acceptor will pay at maturity, according to its tenor, such draft or bill without qualifying conditions."

In order to certify that a trade acceptance is eligible for rediscount, it "must bear on its face or be accompanied by evidence in form satisfactory to the Federal Reserve bank that it was drawn by the seller of the goods on the purchaser of such goods. Such evidence may consist of a certificate on or accompanying the acceptance, to the following effect: THE OBLIGATION OF THE ACCEPTOR OF THIS BILL ARISES OUT OF THE PURCHASE OF GOODS FROM THE DRAWER. Such certificate may be accepted by the Federal Reserve bank as sufficient evidence; provided however, that the Federal Reserve bank, in its discretion, may inquire into the exact nature of the transaction underlying the acceptance."

Although widespread use of the trade acceptance has been made in Europe for many years, it has only partially supplanted the use of the check in this country. One of the aims of the Federal Reserve Act was to encourage the use of the acceptance in the United States. The purpose of the American Acceptance Council was to maintain an intensive campaign to foster the trade acceptance in American business. The movement was also approved by the National Association of Credit Men which stated: "Trade acceptances present conveniences and economies which should appeal to the encouragement and support of commercial credit grantors The trade acceptance system would eliminate certain serious evils which have developed with the increase of commercial credits on an open account system, and of which unearned discounts, the abuse of sales terms, and the assignment of accounts receivable are the more prominent."

The procedure in trade acceptance practice is as follows. The seller of merchandise upon making shipment, forwards with the shipping documents an acceptance form (in reality a time draft). This form is often sent in duplicate to enable the buyer to retain a copy for his files. If the goods are subject to cash discount, the buyer may avail himself of this opportunity by remitting immediately; otherwise the buyer is expected to sign the acceptance form which consists of writing his name across the face of the instrument, indicating the date, and designating the bank where it is payable. In the great majority of cases, an acceptance is payable at the drawee's (acceptor's) bank. It may be made payable at any bank or trust company in the United States. It is then returned to the drawer (seller).

The Negotiable Instruments Law now adopted in all the states provides that an instrument payable at a bank is equivalent to an order to the bank to pay for the account of the principal debtor thereof. For this reason when a trade acceptance is made payable at the acceptor's bank, it may be presented for payment and collected through the Federal Reserve check collection system in the same manner as a check.

There are many advantages accruing to both buyers and sellers in the use of the trade acceptance. The seller's advantages are as follows:

1. It completes the transaction by joining the evidence of the debt and means of payment with the shipment or invoice.
2. It compels definite payment at maturity. The seller has the buyer's negotiable guarantee that at a

specified time and place the buyer will pay for the goods purchased from the seller.

3. It makes definite calculations possible, since sellers know in advance at what times their sales will become available as cash.

4. It prevents tying up capital in open book accounts.

5. It provides additional credit facilities. Trade acceptances can be discounted at 100 per cent. of their face value, while accounts receivable cannot be discounted even under the most favorable conditions for more than 50 per cent. Furthermore, there is no limit to the amount of acceptance paper which a bank may take from one customer, since the 10 per cent. limitation (applying to National banks and to state banks in many states) does not apply.

6. It reduces collection expenses and petty annoyances.

7. It avoids making the seller perform banking functions.

8. It tends to prevent the cancellation of orders and the return of goods.

9. It increases the liquidity of the seller's assets.

10. It permits a lower discount rate. Trade acceptances command a preferential rate of interest, since they afford double security to the lending bank. Recognition of the superior security in the trade acceptance is demonstrated by the fact that the Federal Reserve rate of rediscount for this class of paper is usually lower than for other commercial paper.

11. It promotes economy through the lower rate of discount, and through the reduction of the cost of extending credit, losses on bad accounts, etc.

Many of the advantages to the seller also accrue to the buyer. In addition, the buyer benefits in the following ways:

1. It strengthens his credit. In giving a trade acceptance the buyer proves his good faith by binding himself to pay an honest debt in full when it becomes due. He assumes no obligation until after the seller has surrendered title to the merchandise. In other words, it brings the transaction out into the open and places the buyer on a merit basis.

2. It tends to develop careful buying. The purchaser will not overbuy when he realizes that the debt must be met at a definite maturity.

3. Reduces expenses of handling open accounts.

4. Acceptance buyers are preferred by sellers.

The banker also benefits by the use of the trade acceptance in the following ways:

1. It tends to better the character of the bank's assets, since trade acceptances are two-name paper and are readily rediscountable.

2. It promotes a keener sense of responsibility in business.

3. It increases the amount of discounting business to be done.

4. It increases the amount that can be loaned to one borrower.

5. It makes possible a fuller utilization of commercial credit.

6. It prevents the secret assignment of open book accounts.

A trade acceptance must always represent a completed merchandise transaction and cannot be used as a means to enforce payment of debts past due, or as an evidence of a loan, i. e., it is to be based solely on connection with a current merchandise transaction. Federal Reserve banks may rediscount trade acceptances, or purchase them in the open market provided they conform to the eligibility requirements. The Board of Governors of the Federal Reserve System by regulation has provided: "The Federal Reserve bank shall take such steps as it deems necessary to satisfy itself as to the eligibility of the . . . trade acceptance offered for rediscount and may require a recent financial statement of one or more parties to the instrument. The trade acceptance should be drawn so as to evidence the character of the underlying transaction, but if it is not so drawn, evidence of eligibility may consist of a stamp or certificate affixed by the acceptor or drawer in a form certificate to the Federal Reserve bank."

Despite united efforts to promote the use of the trade acceptance, it has not caught on as a popular business practice, except perhaps as a means of making liquid accounts inclined to be slow on collections.

(See Acceptance, Bank Acceptance.)

TRADE ASSOCIATION

An association of the units in a single line of business for mutual aid and protection of common interests. As defined by the American Trade Association Executives, a trade association is "an organization of producers or distributors of a commodity or service upon a mutual basis for the purpose of promoting the business of their branch of industry and improving their service to the public through the compilation and distribution of information, the establishment of trade standards and the co-operative handling of problems common to the production or distribution of the commodity or service with which they are concerned." Practically all types of business in the United States are represented in a trade association, many of which meet annually in convention to discuss trade practices, establish rules of conduct, and other methods of co-operation.

Trade associations are not new in the United States or in other countries. In this country, organizations of competitors in given industries or branches of industries, encompassing a wide variety of trade interests, may be traced well back into the nineteenth century. In Europe, cartels, with functions and powers similar to those now invested in trade associations here, have ruled many industries for a number of years. As long ago as the Middle Ages, the guilds of England and other European countries functioned in many respects as does the modern trade association. In their present form, American trade associations are generally recognized to have had their beginnings in the period of the Civil War, although several associations trace their establishment back a few years further. Many associations had their inception during the period of increasing business activity marking the recovery from the panic of 1873.

Four major types of trade association activities of the past have been declared illegal by the courts. Broadly speaking, these four types of activities relate to unification in selling, exclusion from the market, curtailment of production and price agreements.

Under the National Industrial Recovery Act (q. v.) the powers, purposes and activities of trade associations were broadened. That Act authorized the National Recovery Administration to employ existing trade or industrial associations, or to establish new agencies if necessary, to compel reforms in industry with respect to employment, hours of labor, wages, control of production, and prevention of unfair methods of competi-

tion. To achieve these ends, the Act provided five principal methods: (1) voluntary trade association codes; (2) voluntary agreements within an industry; (3) codes limited to the subjects of hours of labor, wages and conditions of employment; (4) compulsory codes imposed by the Administration; (5) a system of licensing in extreme instances where uncorrected abuses were shown to exist. Of these, the voluntary trade association codes were the most important.

Among the many trade associations in the United States are:

Aeronautical Chamber of Commerce
Affiliated Dress Manufacturers
Air Transport Association
Aircraft Industries Association of America
American Bankers Association
American Bottlers of Carbonated Beverages
American Bureau of Shipping
American Cloak and Suit Manufacturers Association
American Farm Bureau Federation
American Gas Association
American Institute of Laundering
American Iron and Steel Institute
American Meat Institute
American Paper & Pulp Association
American Petroleum Institute
American Potash Institute
American Trucking Association
American Water Works Association
Anthracite Institute
Asphalt Institute
Association of American Railroads
Association of Casualty and Surety Executives
Automobile Manufacturers Association
Central Motor Freight Association
Copper Institute
Cooperative League of the U. S. A.
Edison Electric Institute
Electrical and Gas Association of N. Y.
Folding Paper Box Association of America
Gas Appliance Manufacturers Association
Glass Container Association of America
Gypsum Association
Insurance Executives Association
Investment Bankers Association of America
Jewelers Board of Trade
Lake Carriers Association
Life Insurance Association of America
Merchants Association of N. Y. (Commerce and Industry Association of N. Y.)
Millers National Federation
Motor and Equipment Manufacturers Association
National Aeronautic Association
National-American Wholesale Lumber Association
National Association of Dyers and Cleaners
National Association of Food Chains
National Association of Hosiery Manufacturers
National Association of Ice Industries
National Association of Life Underwriters
National Association of Manufacturers
National Association of Motor Bus Operators
National Association of Mutual Savings Banks
National Association of Retail Druggists
National Association of Retail Grocers
National Association of Wool Manufacturers
National Automobile Dealers Association
National Beer Wholesalers Association of America
National Bus Traffic Association
National Canners Association
National Coal Association
National Cotton Council of America
National Cottonseed Products Association
National Council of Farmer Cooperatives
National Dairy Council
National Dress Manufacturers Association
National Electrical Manufacturers Association
National Federation of American Shipping
National Federation of Textiles
National Fertilizer Association
National Foreign Trade Council
National Frozen Food Locker Association
National Hardwood Lumber Association
National Industrial Sand Association
National Knitted Outerwear Association
National Leather and Shoe Finders Association
National Lime Association
National Live Stock Marketing Association
National Live Stock and Meat Board
National Lumber Manufacturers Association
National Metal Trades Association
National Paint, Varnish and Lacquer Association
National Paperboard Association
National Petroleum Association
National Piano Manufacturers of America
National Restaurant Association
National Retail Dry Goods Association
National Retail Furniture Association
National Retail Hardware Association
Paper Bag Manufacturers Institute
Portland Cement Association
Retail Credit Institute of America
Southern Freight Association
Southern Passenger Association
Southern Pine Association
Tile Manufacturers Association
Tobacco Merchants Association of the U. S.
Traffic Executives Association
Transportation Association of America
Trunk Line Association
United Brewers Industrial Foundation
U. S. Beet Sugar Association
U. S. Brewers Association
U. S. Cane Sugar Refiners Association
U. S. Savings and Loan League
Western Passenger Association
Western Pine Association
Wholesale Dry Goods Institute
Wine Institute

According to the U. S. Department of Commerce, there were as of 1942 a total of about 11,000 trade organizations in the United States, of which about 8,000 were trade associations, of which in turn about 1/4th were national or interstate in scope, and about 3,000 were chambers of commerce and other types of local community development groups.

TRADE BALANCE

See Balance of Trade.

TRADE BAROMETERS

See Business Barometers.

TRADE CREDITOR

A person, firm, or corporation to which a business is

indebted for purchases on open account, or as evidensed by its notes payable.

TRADE CYCLE

Same as Business Cycle (q. v.).

TRADE DISCOUNT

A deduction from the published list price allowed to the trade, as distinguished from cash discount. The purpose of trade discount is to permit manufacturers and merchants dealing in commodities with frequent and wide price fluctuations to adjust the fixed price as published to current market quotations; thus, trade discounts offered depend upon current market conditions.

TRADE DOLLAR

The trade dollar of 420 grains troy was authorized by the act of February 12, 1873. It was intended for circulation in oriental countries as a substitute for the Mexican dollar, which it slightly exceeded in weight; but by the terms of the authorizing act it was made legal tender in the United States in sums not exceeding $5.

This legal-tender quality was withdrawn by the joint resolution approved July 22, 1876, and the coinage was limited to such amount as the Secretary of the Treasury should consider sufficient to meet the export demand. The act of February 19, 1887, provided for the retirement of trade dollars and their recoinage into standard silver dollars or subsidiary silver. For six months after the passage of the act they could be exchanged at the Treasury or any subtreasury, dollar for dollar, for standard silver dollars or subsidiary coin.

The total number of trade dollars coined was 35,965,924. The number redeemed under the act of 1887 was 7,689,036, and from the bullion resulting from the melting of these dollars there were coined in subsidiary silver $2,668,674.30, and into standard silver dollars $5,078,472. Following expiration of the period of redemption, trade dollars were purchased as bullion when presented at the mints. (Source—Treasury Department Bulletin).

TRADE-MARK

A distinctive identification, in the form of mark, motto, device, or emblem, to distinguish the product of a manufacturer. In the absence of statutory provision for registration, the courts recognize property rights in the exclusive use of a trade-mark. In the United States, Federal statutes provide for registration of trade-marks with the U. S. Patent Office used in interstate commerce, foreign commerce, or "commerce with the Indian tribes." Under the Act of May 4, 1906, as amended, only trade-marks used in connection with merchandise were registerable, but under amendment of July 5, 1947, marks of service enterprises may also now be registered.

Unlike Patents, whose statutory period is 17 years, and Copyrights, which run for 28 years with privilege of renewal for another 28 years, Trade-Marks have no specific statutory period of effectiveness, and registration as such confers no ownership rights, priority of use being a determining factor in court adjudication of ownership.

TRADE PAPER

Notes, or trade acceptances given in exchange for merchandise, rather than money. Same as Business Paper (q. v.).

TRADE READJUSTMENT

See Business Cycle, Readjustment.

TRADE REFERENCE

The name of a business house, usually a creditor, but sometimes a debtor, given by another business house to a bank, business house, or mercantile agency, in order that its credit reputation may be investigated. No organizations are in a better position to know the character, ability and general standing of a given enterprise than its creditors. It is customary when a business house desires to open credit relations with another, that the latter request names of references for investigation purposes pending the allowance or rejection of the application.

TRADER

A person who engages in speculation, buying and selling securities or commodities for price appreciation. Also the term given to a person who executes orders of others on the floor of an exchange, or who among dealers in unlisted securities, maintains a "position" or inventory in assigned stocks and engages in buying and selling operations in such stocks.

TRADERS' MARKET

In unlisted securities trading, the "inside" market, or that market with the closest spreads between bid and asked prices, maintained for trading between firms, and not for the public. Traders' markets are published daily in the National Quotation Bureau's "sheets" (see National Quotation Bureau). Quotations released through regional offices of the National Association of Securities Dealers, Inc. (q.v.) to the press reflect markets in approximate quotations for the public. Necessarily, spreads in quotations for the public must allow for the expense of maintaining facilities for the public. Traders' markets may be likened to "wholesale" prices, while public quotations are "retail" prices.

TRADING CORPORATION

A name sometimes given to that type of management investment organization which seeks to secure profits from short-term trading swings, and makes frequent shifts in positions. (See Investment Company.)

TRADING MARKET

A narrow, dull, inactive market in which prices "cover the same ground over and over;" a market in which public participation is negligible, transactions being largely confined to those of professional traders, and therefore sometimes called a professional market. A trading market is a preparatory, hesitating condition preceding an impending movement upward or downward. In a trading market the range of stocks is kept within a few points and the trading area is a small range between the limits of which the movement of prices is confined.

A trading market is a period of vacillation occurring at the conclusion of a decisive upward or downward swing. Preparatory to the next swing, prices vibrate within a narrow range—the amplitude of fluctuations de-

marking the limits of the trading area. It is a time of suspended judgment—a speculative question mark—and may be conceived as a prolongation of a pause to permit digestion of the preceding move, while speculators wait for additional facts to provide an impetus for a fresh start in one direction or the other.

Referring solely to the movements of the averages, a trading area on a high plateau in a bull market almost invariably is an interlude in what later proves to be a resumption of the rise, else the energy required to hold prices within the area would not have been expended. The technical rule is that the line of least resistance is motion, and stocks having risen to a temporary apex, would be more apt to round off and with little hesitation to start downward. Similarly, a trading area at the bottom of a sharp decline is a breathing space to take account of fundamentals. If the decline has gone too far, recovery, if there is to be one, will lose no time in asserting itself. Consequently, a trading area following a declining movement is usually the precursor of a resumption of the fall. Technically, then, a trading area is a compromise since the rule of motion is violated.

What applies to the averages in regard to trading areas is not applicable to individual stocks. Frequently, what appears to be a trading area at the bottom of a decline in an individual stock is a zone of accumulation with the next important movement upward. Similarly, the semblance of a trading area in an individual stock on a high plateau frequently turns out to be a level of distribution with the next move downward.

A trading area offers one type of market situation in which the trader may have his decision made for him with a minimum of risk. Since a trading area is an interruption of the trend, the market will show, by its own action, what the direction will be when the trading market has terminated. Just as soon as the averages break out of their trading range in one direction or the other, the action can be followed almost blindly. Almost invariably, it is a signal for a continuation of that directional change.

TRADING UNIT

Unit of trading on the New York Stock Exchange is 100 shares for active stocks, 10 shares for inactive stocks. Less than 100 shares for active stocks, and less than 10 shares for the inactive stocks, are Odd Lots (q.v.).

TRADING VALUE

Among traders or speculators this term is used to refer to the price at which a purchase, whether a bond, stock, real estate, or commodity, must be sold in order to "get out even," or, in the language of speculation, the price at which a purchase "stands" the owner, e. g., if a stock has been purchased at 90, it must be sold at that price to avoid taking a loss. The trading value at the time of actual purchase is equal to the cost, market and book values.

Where trading operations are constantly engaged in, a record of trading values is extremely important, because these values are the indicators of the profitableness of individual transactions. To illustrate the use of trading value, suppose ten bonds having a par value of $1,000 each, are bought for $9,000. The trading value is 90 (100 equals par), that is, ten bonds would have to be sold at 90 in order to avoid taking a loss. If, however, five of these bonds should be sold for $5,000, the trading value for the remaining five is 80 because they may be sold at that price without having to close out this particular block of bonds at a loss. Bond and stock traders apply the profit made in one group of securities to losses made in others to determine net results and for tax purposes.

TRANSFER AGENT

See Stock Transfers.

TRANSFER BOOK

The stock transfer ledger in which changes of ownership in stock are recorded, i. e., the transferor debited and the transferee credited. The stock book is required to be maintained by every stock corporation under Sec. 10 of the New York Stock Corporation Law, containing the names, alphabetically arranged, of all persons who are stockholders of the corporation, showing their places of residence, number of shares held, the time when they became owners thereof, and the amount paid thereon. (See Corporate Records.)

TRANSFER IN BLANK

The transfer or assignment of a stock certificate by the owner, whose name is registered on its face, to another person without writing the name of the person to whom it has been sold on the back of the certificate where the form of assignment is printed, and delivery to the person who has bought it. When a stock certificate has been transferred in blank it can pass from one owner by purchase to another any number of times, and while the holder is the legal owner, the stock is still in the name of the person who originally transferred it in blank, on the books of the corporation. He would therefore get any dividends that might be declared, and would be entitled to vote, and receive any other rights, but in practice these dividends and rights would be conveyed to the current owner. Stock which has been transferred in blank usually represents the Floating Supply (q.v.) and such certificates are known as Street Certificates (q.v.). (See Stock Transfers.)

TRANSFER OF MORTGAGE

Either the mortgagor (borrower) or the mortgagee (lender) may assign his interest in a mortgage.

In the assignment of a bond and mortgage, the bond is the obligation to pay the debt for which the mortgage is security. An assignment of the bond alone has been held by New York courts to carry with it the mortgage security, but the assignment of the mortgage alone without the bond does not effect transfer of title to the mortgage.

The New York Real Property Law (Sec. 258, Schedule O), contains a short form of assignment of a bond and mortgage, as follows:

Know that ....., assignor, in consideration of ..... dollars, paid by ....assignee, hereby assigns unto the assignee, a certain mortgage made by ....., given to secure payment of the sum of .....dollars and interest, dated the ..... day of ....., recorded on the ..... day of ...., in the office of the .... of the county of ..... in liber ..... of mortgages, at page ..... covering premises ....., together with the bond or obligation described in said mortgage,

and the moneys due and to grow due thereon with the interest,

To have and to hold the same unto the assignee, and to the successors, legal representatives and assigns of the assignee forever.

In witness whereof, the assignor has hereunto set his hand and seal this ..... day of ..... nineteen hundred and .....

In presence of:

The New York courts, however, have held that the bond and mortgage are assignable by delivery, without a writing or the payment of consideration by the assignee.

The grantee may be held as to any equities existing at the time of the assignment as between the mortgagor and mortgagee, as the bond and mortgage are non-negotiable instruments. The grantee may also be held as to any equities by third parties existing at the time of assignment against the assignor.

When land which is mortgaged is conveyed, the grantee may take the property subject to the mortgage, and thus be free from liability on the bond for any deficiency arising upon foreclosure, such liability remaining in the original mortgagor; or may take the property assuming the mortgage, whereby the grantee undertakes the personal liability to pay the mortgage debt and thus can be held on any deficiency. Assumption of the mortgage by the grantee is part of the consideration involved in the transaction.

(See Mortgage, Mortgage Loans.)

TRANSFER OF STOCK

See Stock Transfers.

TRANSFER OFFICE

The office of the Stock Transfer Agent designated by a corporation to handle transfers of its stock; or where no agent is designated, an office of the corporation itself may handle the work. Listing requirements of the New York Stock Exchange (q.v.) require a corporation to maintain a stock transfer office and a stock registrar in the City of New York.

TRANSIT CLERK

A bank clerk who has charge of the collection of out-of-town Cash Items (q. v.). (See Collection Clerk.)

TRANSIT DEPARTMENT

The department of a bank which collects checks and other items drawn on out-of-town banks. The principal media of collection are through the Federal Reserve Check Collection System (q. v.) and through other banks acting as collecting agents.

TRANSIT FANFOLD MACHINE

A special type of adding-typewriter used in the preparation of transit letters. (See Transit Letters.)

TRANSIT ITEM

See Out-of-town Checks.

TRANSIT LETTER

A letter or deposit slip addressed to a Federal Reserve bank, or other bank acting as collecting agent, containing a list of the enclosed out-of-town checks to be collected for, and the proceeds remitted to, the sending bank. A transit letter describes each listed check with the following details: (1) transit number of the drawee (paying) bank (if the transit number is not used, the name and location of the bank are written out); (2) name or transit number of the sending (owning) bank; (3) amount; (4) any special instructions, e. g., no protest, wire non-payment, deliver documents upon payment only, etc.

TRANSIT NUMBER

See Numerical Transit System.

TRANS-LUX

Sometimes called the "movie ticker," is a movie projector equipment used principally for market quotations by stock and grain exchanges and brokerage firms. The equipment is so designed that projections are made from behind the screens. The screen is a newly developed translucent or "day-light" type which permits exceptional clarity of visibility with a minimum of distortion in full daylight or artificial light. The paper tape of the usual Western Union stock ticker, or a special cellophane tape with the printed quotations printed on by the ticker, is mechanically drawn past the lens and magnified and projected across a screen, from left to right, at a moderate rate of speed. The equipment is also used for projecting news articles from the "broad tape" ticker service of newspapers and reporting agencies, such as the Dow-Jones Ticker Service. Other adaptations of special types are used for home movies, educational, advertising and motion picture theatre purposes. (See Ticker.)

TRANSPORTATION

For bibliography, see under Railroad Industry.

TRANSPORTATION ACT OF 1920

The railroad legislation which marked the beginning of modern regulatory policies towards the Railroad Industry in its period of maturity. This Act recognized for the first time the necessity for placing the Railroad Industry on a stable basis by affording adequate rates which would enable railroads to earn a fair return upon railway property. The Act also permitted railroads to enter into pooling agreements and combinations, subject to approval of the Interstate Commerce Commission. It also broadened the powers of the Commission to include supervision over security issues, new construction, abandonments, etc., and set up new procedure for handling labor disputes. In connection with allowing fair rates of return, the Act set up the provisions for recapture of earnings in excess of fair rate of return (the "Recapture Clause"), now repealed.

(See Interstate Commerce Act, Railroad Legislation, Recapture Clause, Valuation Act of 1913.)

TRANSPORTATION (EMERGENCY) ACT OF 1933

See Railroad Transportation (Emergency) Act of 1933.

TRANSPORTATION RATIO

A term used in railroad finance to denote the percent-

age of a railroad company's transportation expenses to total (gross) operating revenues. Transportation expenses are those incurred in the conduct of train operations, chiefly cost of fuel and wages of trainmen and stationmen. The transportation ratio is the best rough guide of a railroad's operating efficiency. The normal transportation ratio (on the average) is about 35 per cent. (See Railroad Earnings.)

TRAVELERS' CHEQUES

International cheques, or more technically, a modified form of a traveler's letter of credit, not drawn on any specified bank or banks, but payable at practically all banks throughout the world, and guaranteed by some well known institution. They furnish a convenient and safe currency for travelers and may be purchased at all principal banks for cash. They are issued in convenient denominations, in dollars—$10, $20, $50. and $100 but may be also available in foreign currencies, chiefly sterling and francs. The signature of the payee (usually also the buyer) is written on the face of the check at the time of purchase. Space is reserved for the beneficiary's counter-signature in the presence of the person agreeing to cash the cheque, for purposes of identification. The signature written in the presence of the paying bank or other institution, must correspond with the signature written at the time of the purchase, agreement of the two signatures being regarded as sufficient identification for the payment of the money. For this reason, a traveler's cheque should never be counter-signed by the payee, except in the presence of the person who agrees to accept it. These cheques are almost universally acceptable abroad, and the principal hotels, railroads, steamship lines and merchants accept them as freely as cash.

Where stability of exchange rates permits, travelers' cheques issued in dollars may be issued payable at fixed rates of exchange. Generally, dollar travelers' cheques are convertible into various foreign currencies at the prevailing buying rate of exchange for bankers' cheques on New York on the date presented. When drawn in a foreign currency, these cheques are payable at face value. When drawn in dollars, they are accepted at the current buying rate for bank checks on New York.

Travelers' cheques are also used domestically. They are usually acceptable as currency, i. e., without being first cashed, by railroads, hotels, gas stations, and principal merchants. Thus, they are equivalent to insured money.

Two types of travelers' cheques can be purchased: American Express Company cheques, and cheques issued by several of the larger banks. American Bankers' Association cheques were discontinued in March, 1933, following the bank holiday. The commission for issuance is usually three-quarters of one per cent.

Travelers' cheques are both safe and convenient, and if lost or stolen, no loss is likely to be incurred, due to the fact that no person other than the payee can cash them, since the counter-signature must be written in the presence of the person agreeing to accept them. In case of loss, however, owners of American Express Company cheques are reimbursed, provided the second signature has not been affixed. Unused portions of travelers' cheques are redeemable at face value by the issuing bank. When presented for redemption they must be countersigned exactly as when cashed at any other place.

Banks sometimes issue guaranteed travelers' cheques, in which case the payee does not pay for them at the time of issue but permits the bank to charge his account after they have returned from abroad and are presented to the payee's bank for collection.

TRAVELER'S LETTER OF CREDIT

A letter issued by a domestic bank introducing the bearer to its correspondents in a foreign country and instructing such correspondents to honor drafts, up to a specified limit, drawn by the bearer, usually in the currency of that country. Travelers' letters of credit are issued for the convenience of foreign travelers and answer the same purpose as travelers' cheques.

Travelers' letters of credit are of two types, circular and specially advised, usually the former. A circular letter of credit enables the borrower to negotiate drafts at any one of a number of foreign correspondents which will pay against drafts so drawn to the borrower, thus enabling the borrower to obtain funds wherever he may be traveling. Appended is a form of circular letter of credit.

A specially advised letter of credit is designed for the benefit of a person who expects to remain in one city in which the bearer is entitled to draw drafts only against a single designated foreign correspondent.

Travelers' letters of credit are usually paid for in advance and any unused portions may be redeemed at the expiration of the credit. A commission is charged at the time of issue. Sometimes travelers' letters of credit are issued without payment by the bearer in advance; instead, arrangements are made with the issuing bank for charging the bearer's account when drafts negotiated by the bearer with foreign correspondents are presented to the bank issuing the credit.

Letters of credit may be issued in dollars, or a foreign currency, according to the wishes of the buyer. If issued in dollars, drafts drawn are converted into foreign currency by the paying bank at the current rate of exchange.

The purchaser of a circular letter of credit is entitled to the following papers from the issuing bank: (1) the letter of credit itself; (2) a booklet containing a complete list of correspondents which will pay against the letter of credit; (3) a travelers' telegraphic code by which the holder may communicate in code with the issuing bank, or its affiliations, concerning its credit, or otherwise; (4) a book of identification containing a specimen signature of the bearer which, in effect, is a letter to correspondent and other banks mentioned in the booklet (above referred to), and reads thus:

"Dear Sirs:

We beg to introduce to you the bearer of our traveler's circular letter of credit No. ....., a specimen of whose signature will be found below."

Letters of credit are issued for a specified amount indicated on the face and are subject to a certain expiration date, after which cheques drawn under the letter of credit will not be honored for payment by foreign correspondents.

When the beneficiary of a letter of credit wishes to procure funds, he presents the letter of credit to a correspondent and draws a draft for the amount desired, being careful to reserve the affixing of his signature until it can be made in the presence of the paying offi-

cer. The signature on the draft must correspond with the signature of the beneficiary as it appears in the letter of identification. This agreement of signatures completes the process of identification and certifies to the foreign bank paying the draft that the bearer of the letter of credit is entitled to the funds. On the second page of the letter of credit, payments are indorsed by each correspondent bank which honors the bearer's draft. The indorsement shows the date of payment, name of paying bank, and amount written in figures and words. The bank that pays the last amount due takes up the letter of credit and forwards it to the issuing bank along with the draft which it has paid.

CIRCULAR LETTER OF CREDIT

No. ..... For $.....

issued by
BLANK BANK

New York, ...19....

Messrs. the Banks and Bankers
(mentioned on the accompanying list of correspondents.)

Gentlemen:

We beg to introduce to you and to recommend to your courtesies .....
to whom kindly furnish funds in sums as desired up to an aggregate amount .....
Dollars against demand drafts on Blank Bank, New York City.

We engage that such drafts will meet with due honor at this bank if negotiated not later than .....
19..... and marked "drawn under Blank Bank's Letter of Credit No....." upon the condition that the amount of each draft negotiated by you shall have been inscribed on the second page of this letter, the draft signed in your presence and the signature carefully compared by you with holder's signature appearing on the inside of the cover of the accompanying list of correspondents duly certified to by this bank.

Kindly purchase drafts at the best rate at which you buy demand drafts on New York, deducting all your charges, if any, and please see to it that the present letter be cancelled and attached together with the list of correspondents to the draft which exhausts the Credit.

TREASURE TROVE

Coin, plate, or bullion, found hidden in the earth, buildings, or other places, the owner of which is unknown. Where statutes so provide, title to treasure trove passes to the State; otherwise, the finder is entitled to treasure trove, against all including the owner of the realty or soil where found, except against the true owner.

TREASURER OF THE UNITED STATES

See Treasury Department.

TREASURY BILLS

Non-interest bearing obligations of the U. S. Treasury, payable to bearer, which are sold on a discount basis for maturities of 90 to 92 days. Income, representing the increment between purchase price and full maturity value, is fully taxable. The regularity of issue every week enables the Treasury to adjust volume of such short-term borrowing in accordance with money market conditions, its own cash requirements, and the effect of offerings on the money market. The Treasury issues notice of prospective offerings in which it invites bids on both a competitive and non-competitive basis, the non-competitive bids usually being accepted at the average price of the competitive bids accepted. Treasury bills are particularly popular with commercial banks as highly liquid short term investment for available reserves.

During 1948, volume of weekly offerings has run at about $1 billion a week, the amount outstanding at the close of June, 1948 totaling $13,757 million, compared with $15,136 million at the close of 1947, $6,627 million at the close of 1942, and $2,002 million at the close of 1941.

Treasury Bills in the past have been issued with maturities of up to one year, similar to maturities on Treasury Certificates of Indebtedness, but the Certificates are issued with a coupon for interest payable with the principal at maturity, whereas Treasury Bills are issued on a discount basis. Treasury Bills began to be issued by the Treasury in the latter part of 1929, and by 1931 began to be issued in volume as a means of reaching commercial bank demand for short term Government securities. Their volume expanded greatly during World War II years, as contrasted with no recourse to Treasury Bills as a method of financing during World War I years. During World War I, the Treasury utilized Certificates of Indebtedness as the medium for borrowing in maturities up to one year. (See U. S. Government Securities.)

TREASURY CERTIFICATES

See Certificates of Indebtedness, U. S. Government Securities.

TREASURY DEPARTMENT

This department was established by an act of Congress on September 2, 1789. It is that branch of the Government which has charge of the national finances, collects its revenues, takes custody of its funds, and makes disbursements on warrants and drafts. The department is under the general supervision of the Secretary of the Treasury (q.v.), with an Under Secretary. Three assistant secretaries are assigned senior administrative supervision over various bureaus and activities.

The Treasury Department is divided into a number of bureaus each of which is administered by a separate Government official. The Treasurer of the United States receives and disburses public moneys deposited with the Treasury at Washington, with the various Federal Reserve banks, and bank depositories. The Fiscal Service of the Treasury includes both the Treasurer of the United States and the Bureau of Accounts.

The Comptroller of the Currency (q.v.) has general supervision over the organization and examination of the National banks in the United States, Alaska, and Hawaii, and over National bank operations.

The Bureau of Engraving and Printing (q. v.) designs and prints paper money, bonds, postage stamps, revenue stamps, etc.

The Director of the Mint has charge of the various coinages of the United States, and the direction of the activities of the various mints. (See Mint.) The Secret

Service Bureau is charged with the detection and arrest of counterfeiters.

The Customs Bureau supervises the collection of customs duties on imports for the various customs districts at the different ports of entry.

The Commissioner of Internal Revenue supervises the collection of the income taxes and all other internal revenues.

The department also includes Narcotics, Federal Supply, Treasury Enforcement Agencies, Coast Guard, and Tax Research bureaus. There are also a Budget Officer and Director of Personnel.

TREASURY NOTES OF 1890

Notes authorized by the act of July 14, 1890, commonly called the Sherman Silver Purchase Act. The Secretary of the Treasury was directed to purchase each month 4,500,000 ounces of fine silver at the market price and to pay for the same with Treasury Notes redeemable on demand in coin and legal tender for all debts, public and private, except where otherwise expressly stipulated in the contract. It was provided in the act that when the notes should be redeemed or received for dues they might be reissued, but that no greater or less amount of such notes should be "outstanding at any time than the cost of the silver bullion and the standard silver dollars coined therefrom, then held in the Treasury, purchased by such notes."

The authority for the purchase of silver bullion under this act was repealed by the act of November 1, 1893, up to which date the Government had purchased 168,674,682.53 fine ounces, at a cost of $155,931,002, for which Treasury Notes were issued. Treasury notes redeemed in standard silver dollars are cancelled and retired in accordance with the requirements of the act of 1890. Sections 5 and 8 of the act of March 14, 1900, also provide for the cancellation and retirement of Treasury notes to an amount equal to the coinage of standard silver dollars and subsidiary silver from the bullion purchased with such notes. By 1915, all but $2 1/4 million had been retired. Since these notes are retired as fast as received by the Treasury Department and supplanted by silver certificates supported by silver coin previously purchased with the Treasury Notes, for all practical purposes they may be disregarded as a form of currency. Since October, 1922, circulation statements have been carrying the amount of Treasury Notes of 1890 at about $1 million, apparently an irreducible amount traceable to export, loss or other causes.

Before the Thomas Amendment of May 12, 1933, which made all forms of currency legal tender, and the Joint Resolution of Congress of June 5, 1933, these notes were legal tender for all debts, public and private, except where otherwise expressly stipulated in the contract. They were redeemable in United States gold coin or in standard silver dollars at the option of the holder by the U. S. Treasurer. (See Monetary Stock Circulation.)

TREASURY TAX AND SAVINGS NOTES

Series "A" and "B" of Treasury Tax and Savings Notes were first offered in 1941 to serve as media for the payment of taxes, and are of interest to large taxpayers.

Since 1942, Series "C" Notes only have been issued. These are 3-year, non-callable, non-transferable Notes, sold at par, which may be presented in payment of taxes beginning the second month after issue for Federal income, profits, estate and gift taxes, at par plus interest which is graduated upward in 6-month intervals from $5 to $11 per $10,000 principal amount. These interest provisions provide yields ranging from 0.60% for the first interval of 6 months, to 1.07% if held for the full 36 months. Approximately $5 billion of these Notes were reported outstanding at the close of 1947. (See U. S. Government Securities.)

TREASURY STATEMENT

A daily statement issued by the United States Treasury Department showing receipts and expenditures for the month and fiscal year to date, with comparisons for the corresponding periods in the previous year. The appended table presents a summary of Treasury receipts, expenditures, and related items, on the basis of daily statement of the U. S. Treasury. (See Public Debt.)

Summary of
U.S.Treasury Receipts, Expenditures and Related Items

(Based on Daily Statements of the U. S. Treasury)

(in millions of dollars)

	Fiscal Years		
Receipts	June, 1946	June, 1946	June, 1948
Income Taxes:			
Withheld by employees	$9,392	$10,013	$11,436
Other	21,493	19,292	19,735
Miscellaneous Internal Revenue	7,725	8,049	8,301
Social Security Taxes	1,714	2,039	2,396
Other Receipts	3,953	5,325	4,494
Total Receipts	44,276	44,718	46,362
Net Receipts (less Social Security Employment taxes)	43,038	43,259	44,746
Expenditures:			
Interest on Debt	4,722	4,958	5,211
War and Defense Activities	48,870	17,279	11,524
Transfers to Trust Accounts, etc.	1,918	1,355	4,177(a)
Other Expenditures	8,204	18,913	18,414
Total Budget Expenditures	63,714	42,505	39,326(a)
Budget Surplus (+) or Deficit (–)	–20,676	+754	+5,419
Trust Accounts, etc. (Excess of Receipts (+) or Expenditures (–))	–524	–1,103	+2,706
Clearing Account (Excess of Receipts (+) or Expenditures (–))	. . .	+555	–507
Increase (+) or Decrease (–) During Period:			
General Fund Balance	–10,460	–10,930	+1,624
Gross Debt	+10,740	–11,136	–5,994

(a) Including $3 billion transfer to Foreign Economic Cooperation Trust Fund.

Source--Board of Governors of the Federal Reserve System (Federal Reserve Bulletin).

TREASURY STOCK

A corporation's own stock which has been issued and reacquired by purchase, donation, or otherwise. Such stock is an asset, but has no voting power or right to draw dividends. In financial statements, it may appear on the asset side, but is preferably shown as a deduction from stock issued and outstanding.

The term is sometimes, but improperly used synonymously, with Unissued Stock (q.v.). It differs from the latter because it has previously been issued, is fully paid, and may be sold at less than par.

TRIAL OF THE PYX

An annual ceremony required by the British coinage laws for the purpose of testing the weight and fineness of gold and silver coins to see that the coinage laws are being complied with. The pyx is a box in which specimen coins made at the mint are preserved. The test is conducted by a jury consisting of the Goldsmiths' Company, summoned by the Lord Chancellor. When coinage was done by contract, the trial, held at irregular intervals, had some importance, since the contractors were not entitled to full payment until after such trial. Since coinage has been conducted by the Government mint, the trial of the pyx is largely a perfunctory ceremony. Also, in modern times, the trend has been to increase circulation of paper currency and withdraw coinage, particularly gold coins.

In the United States, this term by analogy would refer to the test of the fineness and weight of coins manufactured at each new minting to determine whether or not the variation is in excess of the limits of error permitted by law. (See Remedy, Tolerance.)

TRIANGULAR EXCHANGE

See Arbitrage.

TROY WEIGHT

A system of weights used by the mint, jewelers and apothecaries. The apothecaries' table of weights is as follows:

20 grains = 1 scruple
3 scruples = 1 dram
8 drams = 1 ounce
12 ounces = 1 pound.

The mint and jewelers' table of weights is as follows:

24 grains = 1 pennyweight
20 pennyweights = 1 ounce
12 ounces = 1 pound.

The grain is the same weight in both tables, there being 5,760 grains to the troy pound.

TRUST

This term has two meanings:

(1) A popular name for a business combination controlling a large number of plants or stores; a combination of business enterprises for the purpose of eliminating competition and securing greater economies of production and distribution. Technically, a trust obtained control of an industry by combining the leading companies therein through the medium of a trust agreement whereby all of the stock of member companies was centralized in a board of trustees and stockholders received in exchange trustee certificates evidencing a proportionate interest. The board of trustees chose the directors of the member companies, could remove them at will, determined the allocation of earnings and dividends, and could order member companies to become inactive so as to centralize operations in a few members and thus lessen the supply of output for the industry at pegged prices. (See Sherman Anti-Trust Act.)

(2) As defined by Bogert, "A trust is a fiduciary relationship in which one person is the holder of the legal title to property, subject to an equitable obligation to keep or use the property for the benefit of another." As defined by Blackstone, a trust is "an estate devised or granted in confidence that the devisee or grantee shall convey it, or dispose of the profits, at the will of or for the benefit of another; an estate held for the use of another." (Trust Company, Trusts.)

TRUST COMPANY

As defined by the New York banking law a "corporation organized for the purpose of taking, accepting and executing such trusts as may be lawfully committed to it, acting as trustee in the cases prescribed by law, receiving deposits of money and other personal property, and issuing its obligations therefor, and lending money on real and personal securities."

"Technically speaking, a trust company is a corporation organized for the purpose of accepting and executing trusts, acting as trustee under wills, bond issues, registrar of bonds and stocks, executor or administrator of estates, etc., although by law and practice trust companies may do a general banking business, but do not issue currency" (Kniffin, W. H.: The Practical Work of a Bank).

"Banking in a more or less limited form, execution of corporate trusts, execution of individual trusts, care of securities and valuables. In addition, other functions are sometimes exercised, such as life, title and fidelity insurance, and the business of becoming surety. The earlier companies in the United States were chartered to manage individual estates only and to act in certain fiduciary capacities; the recent development of the trust company has been in the direction of banking functions and corporate trust business" (Kirkbride, Sterrett and Willis: The Modern Trust Company).

In speaking of the diversity of trust companies functions, Clay Herrick (Trust Companies) writes that the term "is applied to corporations whose functions vary greatly. Some are simply banks of deposit and discount; many are savings banks; some are safe-deposit companies; some are title-insurance or fidelity insurance companies; some serve chiefly as fiscal agents for corporations, and as registrars, transfer agents, intermediaries in reorganizations, promoters, etc.: some devote themselves to the care of estates and to services as executors, administrators, guardians, trustees, etc. Most companies combine two or more of these classes of functions, while a few undertake nearly all of them. In early years the life insurance and trust businesses were intimately associated."

Originally, trust companies were created to act as

incorporated trustees. In acting in various trust capacities, administration of estates, custodianship of funds, trusteeship under mortgage indentures, etc., they naturally came into possession of large sums of money and securities, and accordingly it became necessary to extend their functions beyond those of a merely fiduciary character. Insofar as cash was handled, banking operations became necessary and the handling of securities made necessary the development of investment and safe deposit departments. For these reasons, a modern trust company's operations are not much different from those of a large bank. Recent legislation has tended to eliminate the difference between trust companies and banks and in most states trust companies are now permitted by law to perform all the functions of a bank, in addition to trust functions. The organization of a large trust company comprehends a trust department, safe deposit department, investment department, and title insurance department.

The trust functions of a trust company are divided into two broad classes, individual trusts and corporate trusts. Individual trusts consist of acting in the following capacities: executor, administrator, trustee, guardian, conservator, custodian, committee in lunacy, etc. Corporate trusts consist of acting in the following capacities: fiscal agent, (e. g., paying agent for interest coupons and dividends), registrar of stock, transfer agent, trustee under a deed of trust, depositary for protective committees, reorganization committees, etc., escrow agent, and similar capacities.

Trust companies carry on and work in departments, the most common division being a three-fold one:

1. Banking
2. Trust
3. Safe Deposit

Larger trust companies are veritable financial department stores and have in addition the following departments:

1. Bond and Investment Department
2. Mortgage Department
3. Transfer (or Registration) Department
4. Real Estate Department
5. Organization Department
6. Title Insurance Department
7. Women's Department

Much of the business of a trust company can be divided into kinds of trustee work, and divided on this basis:

1. Business as trustee or agent for individuals under private agreement
2. Probate Business
3. Real Estate Business
4. Investment Business
5. Insolvency Business
6. Business as Trustee or Agent for Corporations
7. Business as Transfer Agent and Registrar for Corporations
8. Corporate reorganization and financing
9. Title Insurance
10. Safety Deposit Business
11. Savings and Banking Business
12. Miscellaneous

Individual Trusts

1. For individuals with lack of business experience
2. For individuals in poor health
3. Absentee property owners
4. For the aged
5. For persons traveling in foreign countries

In such cases the trust company will take complete charge of entire property and assets of the individual, collecting any sum of income such as interest, coupons, dividends, annuities, pensions, notes, accounts, bonds, mortgages and land contracts. In case of real property it keeps up repairs, taxes, insurance, reinvests, income and principal.

Corporate Trusts

1. Trustee under a mortgage securing an issue of bonds.
   a. Agent and representative of bondholders.
   b. Agent and representative for bondholders in case of acts of default or foreclosure.
   c. Custody and management of sinking fund.
2. Fiscal or financial agent of Municipal or private corporations.
   a. Pays bonds, coupons and interest.
   b. Attending to publication and amending of notices
   c. Agent for syndicate, managing voting trusts, etc., by issuing and collecting calls, for installment payments, and computes and distributes to proper parties the amounts of participation in profits or proceeds.
   d. Depository of cash and securities for underwriting syndicates, etc.
   e. To receive subscriptions to stocks and bonds and to handle the same when issued.
3. Transfer agent and registrar.
   a. Transfer agent. Knowledge of laws essential; great care and accuracy needed.
   b. Registrar. Registrar is different organization from issuer of bonds. Purpose to prevent over-issue.
4. Depositary for protective committees and reorganization committees.
5. Escrow agent.

Trust companies lay claim to the following advantages over an individual trustee:

(1) Perpetual existence. The trust company is permanent while the individual trustee may resign, die, or become incapacitated.

(2) Superior responsibility. The trust company is required to keep its trust funds separate from its banking assets. The trust department is subject to examination by the State Banking Department and in case of failure, trust funds are held intact for the beneficiaries and cannot be levied upon by the company's general creditors. In many states, moreover, a trust company must make a deposit of securities with the State Banking Department as a guarantee of faithful discharge of its duties.

(3) Permanent location. The trust company has an established place of doing business; it does not move away and is accessible every business day.

(4) Superior facilities. A trust company can employ experts on investments and by maintaining a highly specialized accounting system, safe deposit and banking departments, it can furnish better facilities.

(5) Greater economy. A trust company is not required to give bond, which is a saving to the estate.

Being an authority upon investments, the presumption is that better protection against unnecessary losses and a more certain income can be secured in the investment of trust funds. By making a specialty of the business the trust company can better protect the interests of the estate.

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TRUST COMPANY STOCKS

See Bank Stocks.

TRUST DEED

See Deed of Trust.

TRUST DEPARTMENT

The department of a National or state bank which engages in trust work. Section 11 (k) of the Federal Reserve Act gives National banks authority to conduct a trust department with permission of the Board of Governors of the Federal Reserve System which has power "to grant by special permit to National banks applying therefore, when not in contravention of state or local law, the right to act as trustee, executor, administrator, registrar of stocks and bonds, guardian of estates, assignee, receiver, committee of estates of lunatics, or in any other fiduciary capacity in which state banks, trust companies, or other corporations which come into competition with National banks are permitted to act under the laws of the state in which the National bank is located."

In most states, state banks are also permitted to organize trust departments. In all cases, a trust department of a bank must keep its trust records and assets segregated from its banking records and assets. The bookkeeping must be regarded as distinct. If trust funds are deposited in the banking department they must be secured by a deposit of United States bonds or other approved securities. Securities and assets belonging to each separate trust must, moreover, be kept separate from one another. Trust employees are required to furnish bond for the faithful performance of their duties. (See Trust Company.)

TRUST DEPOSITS

Deposits which are made by one person as trustee for another person. Such deposits are made under trustee account agreements executed in advance, and are subject to the terms and conditions of such agreements. Despite the usual provisions for acquittance and discharge of the bank in such agreements for withdrawals by the trustee, where a trustee has both a personal account and a trustee account in the same bank, the bank might become subject to constructive notice and duty of inquiry in cases of loss to beneficiaries through steady and large withdrawals from the trustee account to the personal account. (See Deposits.)

TRUST ESTATE

An estate the equitable title to which belongs to one person, but the legal title, possession and management of which are intrusted to another person or corporation as trustee. The income of such an estate belongs to the equitable owner, i. e., the beneficiary, or Cestui Que Trust (q. v.). (See Trusts.)

TRUST FUND INVESTMENTS

See Legal Investments for Trust Funds.

TRUST FUNDS

Funds which have been placed in the possession of an individual or corporate trustee in accordance with a trust agreement, trust deed, or will, or in the absence of specific instructions, according to the law of the state. Investment of trust funds is usually restricted to securities approved by the states. (See Legal Investments for Trust Funds, Trusts.)

TRUST INVESTMENTS

See Legal Investments for Trust Funds.

TRUST OFFICER

The manager of a trust department in a bank or trust company, that is, the official in charge of the trust business. He is empowered to sign instruments, including checks, and to commit the institution, but only in connection with the trust business.

TRUST RECEIPT

A contract or trust agreement between a bank and its debtor-borrower which is temporarily substituted for other collateral securing an advance. The object of the trust receipt is two-fold: (1) to evidence the delivery of certain property to the debtor-borrower by the lending bank, and (2) to obtain acknowledgment of the legal title to such property by the lending bank.

The trust receipt may be used in the following types of credit transactions: (1) in substitution of collateral, e. g., securities, notes and acceptances, receivables, or merchandise, on which the bank has made advances, (2) in exchange for documents representing title to goods in storage or transit, e. g., warehouse receipts, bills of lading (ocean or rail), or cotton tickets, and (3) in exchange for documents covering import shipments, whether the merchandise is to be sold, warehoused, processed or manufactured.

The trust receipt is used principally in connection with import transactions in which the importer's bank holds the bill of lading and draft drawn against the shipment. The importer needs the bill of lading in order to obtain possession of the merchandise at the steamship terminal, but if the bill of lading is released by the bank, the latter surrenders its security for the advance. The terms of credit have probably been arranged, however, so that the draft will not be due until after the importer has had an opportunity to liquidate the merchandise. The purpose of the trust receipt is to bridge the gap between the release of the bill of lading by the bank and the maturity of the draft; at the same time placing

the legal title of the goods (until such time as the draft is paid) in the name of the lending bank.

The legal status of the trust receipt has been variously adjudicated. It has been variously held to be a conditional sale, chattel mortgage, and a secret lien. Courts have generally upheld the trust receipt except where banks have endeavored to press their claims against third parties. In order to maintain rights against these parties it is necessary for banks to record the trust receipt in all states except where the instrument is regarded as a chattel mortgage.

Trust receipts are not viewed as good collateral and it is the disposition of banks not to take trust receipts from their customers unless their credit standing is sufficiently meritorious as to warrant an unsecured advance of like amount. Trust receipts are not considered as collateral by the Board of Governors of the Federal Reserve System unless the goods covered therein are earmarked and can be identified at all times; are to be replaced by warehouse receipts; or an actual sale of the goods has been completed (in which case the receipt becomes collateral only for a reasonable time.)

A typical form of trust receipt follows:

To the ..... Bank.

We acknowledge the receipt from you of the following merchandise, your property, specified in the bill of lading per ....., dated ....., which bill of lading has been delivered by you to us without waiver of your ownership of the goods therein described. Said goods are marked and numbered as follows: (Here follows description of merchandise).

It is understood that said goods are (1) consigned to us by you for sale on your account, and in consideration thereof, we hereby agree to hold said goods in trust for you, and as your property, with liberty to sell same for your account, or to manufacture and re-manufacture the same without cost or expense to you; and we (2) further agree to keep said goods and the manufactured product and also the proceeds thereof, whether in the form of money, or bills receivable, or account, separate and capable of identification as your property, and (3) in case of sale to deliver, as soon as received, the full net proceeds thereof direct to you to apply against ..... on our account under the terms of letter of credit No ..... issued for our account, and for the payment of any other indebtedness of ours to you, whether due or to become due.

You may at any time cancel this trust and take possession of said goods or of the proceeds of such as may then have been sold, wherever the said goods or proceeds may then be found, and in the event of any suspension, insolvency or bankruptcy on our part, or of the non-fulfillment of any obligation made or assumed by us under said credit, or under any other credit issued by you on our account, or of the non-payment of any indebtedness on our part to you, all obligations, acceptances, indebtedness, and liabilities, whether due or to become due shall thereupon at your option mature and be due and payable. We further agree to keep said property insured against fire, payable in case of loss to you, without cost or charge to you, hereby waiving any lien, which we might otherwise have on said property for insurance duties or charges paid by us. Any insurance money received for any loss shall be subject to the trust herein contained in the same manner as the goods themselves.

.....
Importer.

TRUSTEE

A person or corporation to whom a trust is committed. Federal and state laws permit a trust company or trust department of a bank to accept and execute any trust which is lawful for an individual. Generally, any person capable of taking legal title and is qualified may become a trustee. (See Trusts.)

TRUSTEE SHARES

Certificates of beneficial interest in an investment company, representing an interest in the securities held under the trust. If there are no bonds or debentures, and only one class of stock issued against the securities held in the investment company, a single trustee share represents that proportion of the undivided equity in the total amount of securities in the trust as one trustee share bears to the total number issued. In America investment company shares are sometimes known as Bankers Shares (q.v.). (See Investment Companies.)

TRUSTOR

The settlor, or person who creates a trust. (See Trusts.)

TRUSTS

From early times trusts have had for their purpose the preservation of property in order that favored individuals or institutions might benefit as recipients of the income from the principal of the trusts, or come into the possession of the principal itself. In the establishment of a trust, there are customarily three principal parties involved: (1) trustor, who is also known as the settlor, grantor or donor, the party creating the trust, (2) beneficiary, or one for whose benefit the fund is established, and (3) trustee, who is charged with the management and preservation of the property which constitutes the trust estate.

Classified by origin, trusts may be created by a declaration or deed of trust, or by will. The former, popularly known as living trusts, personal trusts, or voluntary trusts, may take effect immediately upon the execution of the instrument. Unless the trustor expressly reserves the right to modify or revoke such a trust becomes irrevocable even by the trustor himself, except that in most jurisdictions, a trust whose objects have been accomplished or a passive trust mey be revoked with the consent of all parties beneficially interested. A living trust may be created for the benefit of the trustor himself or for other persons, and the trustor may make himself a sole trustee or jointly with others for the benefit of a third party. The terms of a testamentary trust, i. e., one created by will cannot be altered after the death of the testator.

Various circumstances have operated to increase public interest in trusts, and in the creation of trust estates. Ambitious persons desire to create a competence for themselves in old age and to insure the education and support of their children during the period of their infancy. But if this is left in their own hands it is subject to the constant temptation of being dissipated. On the other hand, if it is given outright to relatives,

the property may be squandered, or the beneficiary may be the victim of unscrupulous persons or other well intentioned but inexperienced advisers. Consequently, trusts have been placed in the hands of trusted, experienced, and conscientious persons or corporations (banks and trust companies) with the end of administering the property and its income in accordance with the desire of the testator or trustor, as expressed in the will or deed of trust.

Among the various provisions incorporated in the trust instrument as affecting the beneficiaries are the following: (1) trusts in which the income is to be periodically paid over to the trustor himself, or to the wife, child, parent, or friend of the trustor, or to a charitable or other institution; (2) trusts in which the income is to be accumulated for a minor until he or she arrives at the age of majority; (3) trusts in which the principal is to be paid over to one beneficiary at a certain age (the remainderman), the income in the meanwhile being paid to another or the same beneficiary (the life-tenant); (4) trusts in which the principal is to be paid to the beneficiary upon marriage as a marriage settlement.

Because of the nature and responsibility of the relationship brought into existence by the establishment of a trust the law has surrounded the administration of trust funds with numerous safeguards for the protection of all concerned. Among these safeguards are the following: (1) the trustee must keep accurate accounts of the funds held, invested, and distributed, and trust funds must be kept entirely segregated from individual or corporate assets; (2) the trustee must comply with the wishes of the trustor in carrying out the terms of the trust; (3) the trustee is not permitted to take advantage of his position to profit at the disadvantage of the beneficiaries; (4) unless the character of the investments has been prescribed by the trustor, then the trustee is bound to confine himself to the class of investments permitted by the law of the state as being legal for trust funds.

Although the law places safeguards around trust funds, it has also prevented the locking up of such funds beyond a reasonable length of time. To circumvent this tendency which arises from the natural desire to retain in the family the property which it has acquired, two rules have been written into the trust laws of most states, e. g., New York. One of these is the Rule Against Perpetuities (q.v.), which makes a gift void if the vesting of title is postponed beyond two lives in being and the minority of a third life. The other law is that no funds may be placed in trust for the accumulation of income except during the period of legal infancy of one or more minor beneficiaries then in being. This law has for its object the avoidance of concentration of wealth in one family and to insure the re-entry of the trust funds into the normal channels of business .

The compensation of the trustee is usually agreed upon between the trustor and trustee; if not, the fee is determined by statutory provisions or court direction. (See Deed of Trust, Legal Investments for Trust Funds, Living Trust, Will.)

For bibliography, see under Trust Company.

TURN

A completed speculative transaction involving a purchase and sale. (See Round Turn.)

TURN IN THE MARKET

A change in or reversal of the price tendency; the beginning of a major swing upward after prices have declined or remained on a low plateau over a long period, or the beginning of a major swing downward after a period of rising prices, or a high plateau.

TURN THE CORNER

A term used in business forecasting and securities literature to denote the reversal in the trend of affairs of an individual company, of a group of securities, or of business in general. The turn may be upward after a prolonged period of depression, or downward after a period of prosperity.

TURNOVER

A general term used somewhat loosely to indicate the amount of, or rapidity of sales, as compared with another factor. Properly, however, the term should not be confined to sales turnover, and may be used to indicate the number of times and rapidity with which invested capital, merchandise, or accounts are "turned over" or "moved" in a given period. It is therefore a ratio determined by dividing the amount of annual sales by the average invested capital, merchandise, or receivables, etc. For example, if the annual sales are $5,000,000 and the invested capital $4,000,000, the capital turnover is 1.25 times. (See Account Turnover, Credit Barometrics, Merchandise Turnover.)

TWENTY PER CENT. RULE

A term applied to the practice of many banks requiring borrowing customers to maintain average deposit balances equal to about 20 per cent. of such borrowings. Although the practice of requiring a certain proportion between balances and borrowings is common among banks, the proportion is not uniformly 20 per cent., but ranges from 10 to 25 per cent. The greatest force of the application of this rule is felt in New York City.

The chief reasons for requiring a 20 per cent. or other proportion of balances to borrowings are: (1) borrowers should maintain adequate cash working balances sufficient to insure a safe liquid position, thereby protecting both the borrower and lending bank; (2) the right to credit must be earned and since a bank could not lend freely unless certain proportions were kept on deposit, it prefers to select customers as borrowers who earn the right to a credit force by keeping adequate balances; (3) commercial banks, morally, though not legally, become bound to insure the borrowing customers' credit line, provided no change in financial status occurs. The insistence on keeping balances in proportion to loans may be regarded as a premium to insure a credit force equal to the line granted; (4) bank operating costs are considerably increased as the result of the exercise of the loan and credit functions. This increased cost is passed on to borrowing customers.

TWO-CENT PIECE

In the United States, coinage of the Two-Cent Piece was discontinued in 1864. See Bronze Coins.

TWO-DOLLAR BROKERS

A Floor Broker on the New York Stock Exchange who executes orders for other Exchange members and member firms. The term is derived from the former charge of $2 for purchasing or selling 100 shares of stock. Although the charge of the "Two-Dollar"

Broker is now higher, the term has remained as a designation of this type of floor members.

Many commission houses, those who deal directly with the public, which maintain large systems of branch offices have so many accounts and consequently may receive such a large volume of orders, that their own representatives on the floor cannot execute them all expeditiously and thus provide adequate service for their customers. This is especially true when the market is active, or at the opening each day when numerous orders may have accumulated overnight. In these circumstances, the Two-Dollar Brokers are utilized in handling the load of orders.

Members who act as Two-Dollar Brokers may also be traders for their own account, thus combining the functions of broker and dealer. Because of the conflict of interest involved, however, the law and Exchange rules closely regulate such a conflict arising on the same security. Executing an order for own account in the same security and at the same price specified in the order accepted as broker is prohibited. The New York Stock Exchange Rules state that a member may take the securities named in the order, or supply same as the case may be, provided: (1) he shall have offered the same in the open market at a price which is higher than his bid by the minimum variation permitted in the security, or shall have bid for the same in the open market at a price which is lower than his offer by the minimum variation, as the case may be; (2) the price is justified by the condition of the market; and (3) the member who gave the order shall directly or through a broker authorized to act for him, after prompt notification, accept the trade. A member acting as a broker is permitted to report to his principal a transaction as made with himself when he has orders from two principals to buy and sell the same security, but such securities shall be first publicly offered at a price which is higher than his bid by the minimum variation permitted for the security before making a transaction with himself, and in such case he must add to his name on the report the words "on order."

(See Floor Trader.)

TWO-NAME PAPER

Notes, bills of exchange, trade and bankers' acceptances, with two signatures, each representing separate interests, responsible for payment. Trade and bankers' acceptances are, automatically at least two-name paper, since both the drawer and acceptor are liable to the discounting bank. Two-name paper is also known as double-name paper. (See Single-Name Paper.)

TYPE-RATIO ANALYSIS

See Credit Barometrics.

UNASSENTED SECURITIES

Stocks or bonds, the status, i. e., the rights in or conditions of which, a corporation desires to change, but to which changes the owners have not agreed.

Under Chapter X of the National Bankruptcy Act, which provides for corporate reorganizations, written acceptances of 2/3rds of claims allowed and of a majority of the stock of a solvent debtor for which proofs of claim have been filed, are required. Should the court thereafter confirm the reorganization plan, it will be binding on the non-assenting creditors and stockholders.

Voluntary changes in capitalization, however, are subject under corporation laws to the right of appraisal by non-assenting stockholders. Under the New York Stock Corporation Law (Sec. 38), if the certificate of changes in capitalization required under Sec. 36 of the Stock Corporation Law (1) alters or abolishes any preferential right of any outstanding shares having preferences, affecting the holders of such shares adversely; or (2) creates, alters or abolishes any provision or right in respect of the redemption of any outstanding shares or of any sinking fund for the redemption or purchase of any such shares, affecting the holders of such shares adversely; or (3) limits or denies any pre-emptive right of the holders of any outstanding shares to subscribe for shares or other securities of the corporation, or alters or abolishes any provision affecting any such right, so as to affect adversely the pre-emptive right of such holders; or (4) abolishes any voting right of the holders of shares of any class or limits their voting rights, except as the same may be limited by the voting rights given to new shares of any class authorized by the certificate then upon timely objection to such action and demand of payment for his stock, a non-asserting stockholder shall have the right to have his stock appraised and paid for as provided in the Stock Corporation Law. (See Readjustment, Reorganization.)

UNCALLED CAPITAL

See Call.

UNCLAIMED BALANCES

Bank balances which have remained dormant without deposits or withdrawals over a long period of time.

There is nothing in the National Bank Act or Federal Reserve Act that specifically designates what disposition shall be made of unclaimed deposits of a National bank. It is generally understood, however, that these balances remain a liability of the bank until they are paid, in the meantime being carried to an inactive ledger or suspense account. National banks are thus required to carry all deposits on their books as deposits until such time as they have been withdrawn, regardless of the length of time that may have elapsed since the last withdrawal. The Supreme Court of the United States on June 4, 1923, in the case of The First National Bank of San Jose vs. State of California, held that a state could not dissolve contracts of deposit even after twenty years and that it could not require National banks to pay to it the amounts then due.

Insured deposits must be claimed, as required by Sec. 12B of the Federal Reserve Act relating to deposit insurance. If after the Federal Deposit Insurance Corporation shall have given at least 3 months notice to the depositor by mailing notice to his last known address appearing on the records of the closed bank, any depositor in the closed bank fails to claim his insured deposit from the Corporation within 18 months after appointment of receiver, or fails within such period to claim or arrange to continue his deposit if it has been transferred to a new bank or to another insured bank, all rights of the depositor with respect to the insured deposit and against the new bank or other insured bank with respect to the transferred deposit, shall be barred. All rights of the depositor against the closed bank and its shareholders, or the receivership estate to which the Corporation may have become subrogated, shall thereupon revert to the depositor. The amount of any transferred deposits not claimed within such 18 months period shall be refunded to the Corporation.

If a National bank voluntarily dissolves, unclaimed deposits are transferred into the custody of the Comptroller of the Currency. Where insured National banks or insured District of Columbia banks are closed for inability to meet demands of depositors, the Federal Deposit Insurance Corporation shall be appointed receiver, and one of its duties is to wind up the affairs of such closed banks in conformity with the provisions of law relating to liquidation of closed National banks, as modified by Sec. 12B of the Federal Reserve Act. One of these provisions has been that all moneys received by the receiver are paid into the Treasury of the United States, and dividends to depositors are drawn on the balance in the Treasury to the credit of the insolvent bank. Any amounts unclaimed, therefore, remain in the Treasury.

The laws of most states have clearly established the procedure in handling unclaimed balances, whether held by a state bank, private bank, savings bank, or trust company. In New York State, Secs. 300-305 (Article III) of the Abandoned Property Law, relating to unclaimed property held or owing by banking organizations, define abandoned property and specify the procedure. The following shall be deemed abandoned property: (1) any amounts due on deposits or any amounts to which a shareholder of a savings and loan association or a credit union is entitled to, held or owing by a banking organization, which shall have remained unclaimed for 15 years by the person or persons appearing to be entitled thereto, including any interest or dividends credited thereon. (2) Any amounts held or owning by a banking organization for the payment of a negotiable instrument or a certified check whether negotiable or not on which such organization is directly liable, which instrument shall have been outstanding for more than 15 years from the date it was payable or from the date of its issuance if payable on demand.

On or before the first day of August in each year, every banking organization shall make a verified written report to the State Comptroller which shall contain a true and accurate statement as of the first day of July next preceding, of all abandoned property held or owing by it.

Within 30 days after making the report of the abandoned property, such banking organization shall cause to be published a notice entitled "Notice of Names of Persons Appearing as Owners of Certain Unclaimed Property Held by (Name of banking organization)" Such notice shall be published once in two newspapers

published in the city or village where such abandoned property is payable (if payable in the city of New York, such publication shall be in two newspapers published in the county where such abandoned property is payable). All newspapers in which such notice shall be published shall be newspapers printed in the English language. Such notice shall in accordance with the classification prescribed by the State Comptroller for the purpose set forth the names and last known addresses of all persons appearing to be entitled to any such abandoned property amounting to $10 or more. Such names shall be listed in alphabetical order, and the notice shall contain a statement that a report of unclaimed amounts of money or other property held or owing by the banking organization has been made to the State Comptroller; and that a list of names of the persons appearing from the records of such banking organization to be entitled thereto is on file and open to public inspection at its principal office or place of business in any city, village or county where such abandoned property is located. Further, that such unclaimed moneys or other property will be paid or delivered by it on or before the succeeding 31st day of October to persons establishing to its satisfaction their right to receive same; and that in the succeeding month of November, and on or before the 10th day thereof, such unclaimed moneys or other property still remaining will be paid or delivered to the State Comptroller; and that it shall thereupon cease to be liable therefor. Affidavit of such publication shall be filed by the banking organization on or before the 10th day of September in each year.

All amounts held by the Superintendent of Banks as trustee for the holders thereof after the completion of the voluntary or involuntary liquidation of the business and affairs of any banking organization which shall not have been claimed and paid within 4 years after receipt by the Superintendent shall be deemed abandoned property. Not later than the 1st day of October in each year, the Superintendent of Banks shall pay to the State Comptroller all such abandoned property held by him which shall have become abandoned property at any time prior to the 1st day of July next preceding.

UNCLAIMED DEPOSITS

See Unclaimed Balances.

UNCOLLECTED ITEMS

An account which appears among the assets in the weekly statement of the Federal Reserve System, to represent the amount of items in process of collection, but not yet collected, for member banks. It is offset by the account entitled, Deferred Availability Items (q.v.).

UNCONFIRMED CREDIT

See Letters of Credit.

UNCOVERED PAPER MONEY

Irredeemable paper money; paper money not supported, or only partially supported by a specie reserve. (See Fiat Money.)

UNDER THE RULE

Whenever a member of the New York Stock Exchange becomes insolvent, or is unable to make good deliveries, his outstanding contracts are settled "under the rule". Actually, there are two sets of rules involved, those pertaining to insolvency and those involving failure to fulfill contracts. When an announcement is made of the suspension of a member or member firm pursuant to the provisions of Art. XIII of the New York Stock Exchange Constitution, members or member firms having Exchange contracts with the suspended member or firm for the purchase, sale or loan of securities shall without unnecessary delay proceed to close such contracts on the Exchange or in the best available market pursuant to the By-Laws or rules of the Stock Clearing Corporation which are applicable and provide the method of closing.

A contract in securities admitted to dealings on the Exchange which has not been fulfilled according to the terms thereof may be officially closed by an officer or employee of the Exchange authorized by the Exchange to close such contracts. Order to close such contract shall be delivered to the Exchange, and the member or member firm giving such order shall also deliver at the office of the member or member firm in default notice of intention to make such closing.

Delays in deliveries occurring through no fault of the contracting firm expose it to "buy-ins", but before the drastic action of a buy-in is resorted to, the courtesy among cashiers of Wall Street is to give the defaulting firm a period of grace in which to make the delivery. (See Good Delivery.)

UNDERLYING BONDS

Prior lien bonds; senior bonds; bonds secured by a mortgage lying closer to the ground than other issues secured by inferior liens on the same property; bonds secured by a first mortgage, or at least by a mortgage having priority over other mortgages on the same property. The term is an antonym of overlying or junior bonds. (See Underlying Mortgage.)

UNDERLYING LIEN

A lien, i. e., a right to retain property given as security until the claim against it has been paid, e. g., a mortgage which underlies or is prior to others. A first mortgage is an underlying lien, but a second mortgage is also an underlying lien when there is a third. Any lien is an underlying lien except the last. The use of this term presumes that overlying or junior liens exist.

UNDERLYING MORTGAGE

A mortgage constituting a prior lien over other mortgages on the same property. Although usually understood to be a first mortgage, an underlying mortgage is any mortgage that takes precedence over another mortgage on the same property; thus, a first mortgage is an underlying mortgage when there are two; first and second mortgages are underlying mortgages when there are three; and first, second and third mortgages are underlying mortgages when there are four, etc.

UNDERLYING SYNDICATE

See Syndicate.

UNDERTONE

An expression used to indicate the fundamental underlying tendency of market prices neglecting hour to hour fluctuations; thus, the undertone of a day's market may be weak, steady, or strong.

UNDERWRITER

This term has two meanings:

(1) An insurer; a person or company which, for a compensation, undertakes any kind of insurance contract. (See Insurance.)

(2) A person or company which underwrites an issue of securities. (See Syndicate, Underwriting.)

As defined by the Securities Act of 1933, in Sec. 2 (11), the term "underwriter" means "any person who has purchased from an issuer with a view to, or sells for an issuer in connection with, the distribution of any security, or participates or has a direct or indirect participation in any such undertaking, or participates or has a participation in the direct or indirect underwriting of any such undertaking; but such term shall not include a person whose interest is limited to a commission from an underwriter or dealer not in excess of the usual and customary distributors' or sellers' commission."

UNDERWRITING

The act or process of guaranteeing the sale of an issue of securities by purchase at a stated price from the issuing corporation or governmentality by an underwriting syndicate. It devolves upon the underwriters constituting the purchase group to dispose of the securities to the investing public at a price sufficiently attractive to insure their sale, and yet yield the underwriter a profit.

Before passage of the Securities Act of 1933, which imposed civil liability upon underwriters, and when larger underwriting spreads were customary, it was the practice to organize a second purchase group, larger than the original purchase group and usually composed of large distributing houses with large placement power among institutional investors. From the standpoint of the original purchase group, this second intermediate group between the original purchase group and the selling group, usually called the "banking group", assured spreading of the risk and additional aid in carrying any unsold bonds or other security involved in the underwriting. Since passage of the Act, however, this intermediate group has practically disappeared, discouraged also by the narrower spreads available for allocation among the original purchase group members and any additional banking group members.

In addition to the "straight" underwriting of a public offering, involving a firm commitment, there is the "stand-by" type of underwriting, wherein the purchase group makes a firm commitment to take any balance of bonds or shares unsubscribed in a company offering of subscription rights to stockholders; and the "best efforts" type of underwriting, wherein the underwriters make no firm commitment, but merely engage to use their best efforts to sell as much of the offering as possible. (See Syndicate.)

UNDERWRITING AGREEMENT

See Syndicate Underwriting.

UNDERWRITING SYNDICATE

See Syndicate.

UNDESIGNATED CITIES

Cities not designated by the Board of Governors of the Federal Reserve System as "central reserve" or "reserve" cities (see Central Reserve Cities, Reserve Cities). Member banks in such undesignated cities are termed "country" banks. Under latest change in member bank reserve requirements, effective September 16, 1948, country banks are required to maintain reserves of 16 per cent. against net demand deposits, and like all member banks, are required to maintain reserves of 7 1/2 per cent. against time deposits. (See Reserve.)

UNDIGESTED SECURITIES

Securities issued in excess of the capacity of the investment market to absorb them fully; securities not owned outright by ultimate investors, but held by syndicates, individual speculators and bankers with the intention of disposing of them when a favorable market opportunity presents itself. Sometimes securities purchased by an underwriting syndicate cannot for one reason or another be entirely sold to the investment public. Such part as remains unsold in the hands of the syndicate members is said to be undigested. The severe decline of security prices in 1903 is sometimes referred to as the panic of "Undigested Securities."

UNDIVIDED PROFITS

The name of an account, also known as unappropriated profits, to which current net earnings or profits are credited. This title is of most frequent occurrence in bank accounting and corresponds to what is more usually known among manufacturing and mercantile corporations as earned surplus. It represents profits not yet distributed in dividends.

Banking institutions maintain two accounts, undivided profits and surplus. Current net earnings are credited to the former account, which consists of undistributed earnings, available for dividends and to write off bad debts and special losses, while the latter is a capital surplus account not available for cash dividends from undivided profits, or a combination of both. (See Capital and Surplus, Surplus.)

UNEARNED INTEREST AND DISCOUNT

The title of a deferred income account set up to reflect interest or discount paid in advance but not yet earned. In accounting terminology, this account is a liability or real account which becomes a nominal account, and is closed out to the profit and loss account, when the interest or discount is fully earned. Not setting up unearned interest and discount would overstate true earnings for a particular period. Proper accounting on the accrual basis therefore calls for accrual of interest and discount as earned. (See Discount.)

UNEARNED INCREMENT

Enhancement in the value of property arising from the growth of population and not from improvements effected therein by the owner. Such "unearned" or natural increases in value, however, are reflected promptly in increased assessments and taxes upon the property. Capital gains upon sale or other disposition of the property are also taxed. Also, in the event of population shifts, there are just as liable to be unearned decrements in the value of property.

The Single Tax, as advocated by Henry George in his Progress and Poverty, would be levied upon the rental

value of the land alone, as distinct from the rental value of the improvements made thereon.

UNEMPLOYMENT INSURANCE

In the United States, before passage of the Social Security Act (q.v.), Wisconsin was the only State which had adopted unemployment insurance. Under the Wisconsin law, every employer of 10 or more persons receiving under $1,500 in wages or salaries annually was required to pay 2% of payrolls into a State fund until a credit of $55 was reach for each such employee, thereafter 1% of payrolls until a credit of $75 was reached, when further payments ceased unless the fund became depleted below that limit. Benefits were payable to employees after a two weeks' waiting period at the rate of $10 per week or 50% of average weekly wage, whichever was lower, for not more than 10 weeks in any calendar year.

As the result of the Social Security Act's unemployment insurance provisions, all States now have unemployment insurance. Under the Act, the States may set up unemployment insurance plans of their own, subject to meeting minimum Federal requirements, and receive Federal aid in meeting the administrative cost of such plans.

UNEVEN

An expression used to describe the stock market when prices fluctuate rapidly and over a wide range.

UNFUNDED DEBT

Floating debt; short-term debt; indebtedness not represented by bonds. (See Funded Debt.)

UNIFIED BONDS

See Unifying Mortgage Bonds.

UNIFIED MORTGAGE BONDS

See Unifying Mortgage Bonds.

UNIFORM BILLS OF LADING ACT

See Bill of Lading Act.

UNIFORM NEGOTIABLE INSTRUMENTS LAW

See Negotiable Instruments Law.

UNIFORM WAREHOUSE RECEIPTS ACT

See Warehouse Receipts Act.

UNIFYING MORTGAGE BONDS

Bonds issued (usually by railroad companies) for the purpose of combining several issues of bonds into one issue supported by a single blanket mortgage. The purpose of such an issue is to simplify a company's finances. When unifying mortgage bonds are issued, the amount authorized is usually sufficiently large to provide for future expenditures for some time to come. This title is practically synonymous with General Mortgage Bonds (q. v.) and Consolidated Mortgage Bonds (q. v.).

UNENCUMBERED

Free from all claims and debts; thus, real estate is unencumbered when there are no mortgages, or other liens, e. g., taxes, against it.

UNISSUED STOCK

Stock which has been authorized to the corporation by its certificate of incorporation or certificate of capital changes, but as yet unissued. Although unissued stock is not an asset or a liability, it should be shown on the balance sheet, indicating which portion if any is reserved for options, warrants, or conversion privileges. Unissued stock not earmarked for such purposes is available to directors for issuance for corporate purposes. Under the practice prescribed for railroads by the Interstate Commerce Commission, unissued stock is shown on the balance sheet as a subtraction from the authorized amount, and most accountants follow this practice, stating each class of stock separately, with the amount authorized, issued (which includes treasury stock as well as outstanding stock), and outstanding, together with par value per share for each class of . stock.

See Authorized Capital Stock, Capital Stock, Issued Capital Stock, Treasury Stock.

UNIT OF VALUE

Same as Monetary Unit. (See Monetary Unit, Money of Account, Standard of Value.)

U. S. GOVERNMENT SECURITIES

Securities which are obligations of the United States Government and represent a debt which legally constituted Federal authorities covenant and promise to pay on stated maturity dates. These constitute the largest class of civil bonds. Federal Government securities represent the highest form of credit in the United States, since the debt of the Federal Government supersedes that of all other governmentalities.

There are three characteristics of Federal government securities which set them apart from all others. Since the Federal Government cannot be sued against its will, the security of these obligations depends upon the good faith and integrity of the Government and the stability of the political organization. While this fact may seem to detract from the investment position of government securities, it must be remembered that while a government may repudiate its debts, to do so would be to commit credit suicide. A nation which repudiates its debts undermines its credit standing with its own and other peoples and this is difficult to restore. Repudiation by the United States Government is scarcely conceivable. Not only does the United States Government enjoy a stable political organization, and power to control the resources and productivity of the nation, but also unlimited powers of taxation. These facts make valid the Federal Government's right to the highest credit standing. Another characteristic, not found in State, municipal and corporation bonds, is that the Federal Government can borrow for any purpose, whether productive or unproductive, without establishing special forms of taxation to pay off the bonds issued. Thus, a Government may borrow to build canals, improve harbors, i. e., productive purposes, or to build museums or purchase land for a national park, i. e., unproductive purposes.

From an investment point of view, the value of a Government obligation depends upon the public credit which a nation enjoys, stability of its political organization,

resources, extent of development of resources, ability to tax its people, and ratio of national debt to national wealth. A government enjoys a higher credit standing among its own people than among others, and consequently an internal loan sells on a lower basis than an external loan.

Statutory authority for the issuance of U. S. Government securities is the Second Liberty Bond Act of September 24, 1917, as amended at various times since. Latest amendment of the Act increased the Federal debt limit (obligations issued under the Act, and obligations guaranteed as to principal and interest by the United States, exclusive of holdings by the Treasury of such guaranteed issues) to $275 billion. Outstanding securities as of December 31, 1947 subject to the limitation totaled $256 billion.

Growth of the public debt is tabulated in Public Debt (q. v.). The following are the principal types of U. S. Government securities currently outstanding.

Marketable issues include the following:

Treasury bills.—Outstanding June 30, 1948 in the amount of $13,757 million, consisting of 13 issues in weekly maturities of 90 to 92 days of $905 million to $1,205 million each. Sold on a discount basis. Purchased largely by commercial banks. Fully taxable.

Treasury certificates of indebtedness.—Outstanding June 30, 1948, $22,588 million. Maturities then consisted of 10 issues, ranging in size from $1,055 million to $4,300 million. Issued in maturities up to one year. Largely held by commercial banks. Current interest rates range from 7/8% to 1 1/8%. Fully taxable.

Treasury notes.—Issued in maturities of one to 5 years. Outstanding June 30, 1948 in the amount of $11,375 million, consisting of only three issues. One of these, the September 15, 1948 maturity of $3,748 million, is a 1 1/2% wartime issue, and carries interest coupons. The other two issues, however, the 1% notes of October 1, 1948, $4,092 million, and the 1 1/8% notes of January 1, 1949, $3,535 million, were refunding issues which were issued in the latter part of 1947 carrying only one coupon for the payment of interest along with principal at maturity. Owned largely by commercial banks. Fully taxable.

Treasury bonds.—Issued with maturities of 5 years and over. As of June 30, 1948, there were $112,462 million outstanding, consisting of 10 bank-restricted issues and 29 bank-eligible issues, with interest rates of 1 1/2% to 3 1/8% at varying maturities, longest of which is 1967-72. Bank-restricted issues, which are not eligible for purchase by commercial banks until a specified future time in their maturity, first appeared in May, 1942 as a measure to minimize the inflationary effect of issuance of long term bonds to commercial banks. Savings banks and insurance companies have been the principal buyers of bank-restricted bonds. Bank-eligible bonds, those which may be bought by commercial banks with restriction, are partially tax-exempt and fully taxable. Fourteen of the bank-eligible bond issues are partially tax-exempt (exempt except as to surtaxes, estate or inheritance taxes, and any excess profits or war profits taxes). The supply of partially tax-exempt bonds is decreasing, as maturing issues are replaced by fully taxable bonds.

The restrictions on bank holding of bank-restricted bonds in 1944 were eased to permit limited subscriptions to such bonds in proportion to time deposits. In 1946, commercial banks were also permitted to subscribe to limited amounts of bank-restricted issues to facilitate transactions for their customers.

Panama Canal Loan 3s of 1961.—Issued in 1911, and currently outstanding in the amount of only $50 million. Fully tax-exempt.

Postal Savings bonds.—As of June 30, 1948, outstanding in the amount of $114 million, issued from 1928 to 1935. No Postal Savings bonds have been issued since that year, which was the first year of issuance of U. S. Savings Bonds. Fully tax-exempt.

Non-marketable Government securities include the following types:

U. S. Savings Bonds.—As of June 30, 1948, outstanding in the amount of $53,274 million. Are non-transferable and registered. Such bonds issued prior to March 1, 1941 were partially tax-exempt (from normal income taxes, but not from surtaxes), but bonds issued since that date are fully taxable. Only three series are currently offered: Series "E", appreciation type issue for issuance to individuals; Series "F", appreciation type issue for issuance to individuals, associations, partnerships, trustees, or corporations (except commercial banks accepting demand deposits); and Series "G", current income type, for issuance to same type of holders as those eligible to hold Series "F" bonds. Series "E" bonds mature 10 years from date of issue; cost $75 per $100; afford a yield to maturity of 2.90% per annum compounded semi-annually; may be redeemed at any time after 60 days from date of issue; and have a limitation on purchase of $10,000 maturity value in any one calendar year. Series "F" bonds mature 12 years from date of issue; cost $74 per $100; afford a yield to maturity of 2.53% per annum compounded semi-annually; may be redeemed by the owner on one month's written notice after 6 months from date of issue; and have a limitation on purchase of $100,000 issue price for Series "F" and Series "G" combined in any one calendar year. Series "G" bonds mature 12 years from date of issue; cost $100 (face value); afford a yield of 2.50% per annum, payable semi-annually by Treasury check; may be redeemed under the same conditions as the Series "F" bonds; and have the same limitation on purchase as the Series "F" bonds.

Treasury tax and savings notes.—Outstanding June 30, 1948 in the amount of $4,394 million. Only Series "C" notes are currently issued, maturing 3 years after date of issue and non-callable. Non-transferable, and inscribed. Interest, which is payable upon presentation for redemption, accrues on each $10,000 principal amount as follows: $5 per month for the first 6 months; $8 per month for second 6 months; $9 per month for the third 6 months; $10 per month for the fourth 6 months; and $11 per month for the fifth and sixth 6 months. If held to full maturity, the yield would be 1.07%. These notes may be presented in payment for Federal income, profits, estate and gift taxes, after the second calendar month after purchase, with interest being credited up to and including the month of presentation.

Treasury bonds, investment series.—A special type of non-marketable issue, issued on October 1, 1947 and maturing October 1, 1965, although redeemable on and after April 1, 1948, on one month's notice, by the owner. This issue is of the current income type, interest at the rate of 2 1/2% being paid April 1st and October 1st each year by Treasury check. Outstanding in the amount of $970 million.

There are also other special types of non-marketable

issues, such as depositary bonds, Armed Forces Leave bonds, issues of the Treasury to Government agencies and trust funds.

In addition to direct obligations, there was a total of $69 million in fully guaranteed interest-bearing securities outstanding June 30, 1948, including $27 million of Federal Housing Administration debentures. Fully guaranteed debt is now at relatively unimportant levels as compared with pre-War levels, as many Government agencies have since steadily retired publicly held obligations.

Position of Government Securities.—Since 1933, when the Federal debt began to expand substantially, and particularly since 1941, when war financing further expanded volume of Government obligations, the commercial banking system has been a major buyer and holder of Government securities. At the close of June, 1948, out of the total outstanding interest-bearing debt of $250,132 million, commercial banks held $65,000 million, as compared woth $23,200 million by insurance companies, $12,000 million by mutual savings banks, $21,000 million by other corporations and associations, and $66,800 million by individuals. Federal Reserve Banks held $21,366 million.

Because of the high ratio of Government security holdings alone to capital funds, commercial banks are naturally interested in stability of market for Government securities during any further rise in money rates. Such stability is essential in view of the ratio of 6 1/2:1 of Government securities to capital accounts of commercial banks as of June 30, 1948. Through open market operations, the Federal Reserve System has stabilized recent market levels for Government securities after rapid fading away of former premiums when short-term money rates, taking their cue from higher short-term Treasury borrowing rates, rose in 1947 and 1948. In addition to open market purchases, the Federal Reserve System has the power to lend member banks on their promissory notes secured by Government securities for 15-day periods, renewable indefinitely, at par for the Government securities serving as collateral, but member banks are not inclined to borrow at the Federal unless obliged to do so in order to raise additional reserves.

(See Certificate of Indebtedness, National Budget, Public Debt, Treasury Bills, Treasury Tax and Savings Notes, U. S. Savings Bonds.)

UNITED STATES DEPOSITORY

See Depository.

UNITED STATES MONEY

As the result of monetary legislation enacted during 1933, culminating in the Gold Reserve Act of 1934 (q. v.), and the Silver Purchase Act of 1934 (q. v.), United States money has been irredeemable in gold, although legislation requires the maintenance of the various forms of money at parity with the gold dollar. For international monetary purposes, however, the United States is on a gold bullion standard subject to license and restrictions by the Treasury.

In the years 1934 and 1935, the Treasury took steps toward the simplification of the currency supply of this country. This will result in the eventual elimination of National bank notes and Federal Reserve bank notes from circulation, and, with the retirement of other types of currency which had been in progress, will reduce the number of the kinds of United States currency, other than subsidiary silver and minor coins, from nine types to four—Federal Reserve notes, silver certificates, silver dollars, and United States notes. Gold certificates, issued only to Federal Reserve Banks to monetize gold credits arising from the nationalization of gold under the Gold Reserve Act of 1934, are a special type issued. There also are still outstanding some of the old type of gold certificates, never turned in pursuant to the Emergency Banking Act of March 9, 1933 and Executive Order of March 10, 1933. The following table shows the amounts of various kinds of currency outstanding outside the Treasury and Federal Reserve Banks at the end of June, 1948, compared with preceding year:

(in millions of dollars)

	June 30, 1948	June 30, 1947
Gold certificates (old type, formerly in general circulation, subject to retirement as received)	45	48
Federal Reserve notes	23,600	23,999
Treasury currency:		
Standard silver dollars	156	148
Silver certificates	2,061	2,061
United States notes	321	320
Subsidiary silver coin	919	876
Minor coin	346	331
In process of retirement:		
Federal Reserve Bank notes	353	406
National Bank notes	99	106
Treasury notes of 1890	1	1
Total	27,903	28,297

Gold coin, which up to the spring of 1933 was a part of the circulating money of the United States, was called in and its holding made illegal on March 10, 1933, and the remaining amount that was nominally outstanding but actually no longer in circulation on January 31, 1934, has been deducted from the data on the money supply of this country. The holding of gold certificates has been illegal, except by Federal Reserve Banks (and then only for reserve purposes), since March of 1933.

When the retirement of Federal Reserve Bank notes, National Bank notes, and Treasury notes of 1890, as well as old type gold certificates still in circulation, is completed, there will remain in circulation in this country in addition to subsidiary or fractional currency just four kinds of money—silver dollars and three types of paper money: Federal Reserve notes, which in recent years have constituted by far the largest part of the currency outstanding, especially in denominations of $10 and up; United States notes (Greenbacks), which are issued largely in the smaller denominations and the amount of which in circulation is about one-tenth the amount of Federal Reserve notes in circulation; and silver certificates, which rank second only to the Federal Reserve notes.

Subject to the foregoing qualifications and explanations, there are three kinds of metallic, and four kinds of paper money issued currently in the United States, all of which are explained in greater detail as separate terms, as follows:

METALLIC MONEY

1. Minor Coins:
   (1)—1¢ pieces (cents).
   (2)—5¢ pieces (nickels).
2. Subsidiary Silver Coins:
   (1)—10¢ pieces (Dimes).
   (2)—25¢ pieces (Quarters).
   (3)—50¢ pieces (Half Dollars).
3. Standard Silver Dollars.

PAPER MONEY

(1)—United States Notes (Greenbacks).
(2)—Gold Certificates (held only by Federal Reserve Banks).
(3)—Silver Certificates.
(4)—Federal Reserve Notes.

In accordance with the AAA Farm Relief and Inflation Act of May 12, 1933, as amended by the Joint Resolution of Congress June 5, 1933, all coins and currencies of the United States (including Federal Reserve notes and circulating notes of Federal Reserve banks and national banks while they continue outstanding) theretofore or thereafter coined or issued, shall be legal tender for all debts, public and private, public charges, taxes, duties, and dues.

For description of each of these kinds of money, see Federal Reserve Notes, Federal Reserve Bank Notes, Gold Certificates, Gold Coins, Minor Coins, National Bank Notes, Silver Certificates, Silver Dollar, Subsidiary Silver Coins, Treasury Notes of 1890, United States Notes.

See also: Coinage, Fiat Money, Irredeemable Money, Mint, Mint Price of Gold, Monetary Stock (Circulation), Money, Paper Money, Quantity Theory of Money.

U. S. GOVERNMENT SECURITIES CROWD

In bond trading on the New York Stock Exchange, the section of the "Active Crowd" which handles trading in marketable U. S. Government securities. Because of the largely institutional character of the market for U. S. Government securities, most trading volume in Government securities is transacted off the board by dealers in Government securities, including trading departments of banks, usually in large blocks at low net spreads. Bids and offers in Government securities on the Exchange are in minimum variations of 1/32 of 1%. (See Active Crowd.)

UNITED STATES NOTES

Notes created by several Acts passed during the Civil War, also known as legal tender notes, and as "legal tenders," and "greenbacks," because they were the first bills to be engraved with green backs. They are issued in denominations as follows: $1, $2, $5, $10, $20, $50, $100, $500, $1,000 and $10,000, but mostly in small denominations. This issue bears a red seal on the obverse side.

The Act of February 25, 1862, authorized the issue of $150,000,000 of which $50,000,000 were in lieu of an equal amount of demand notes, and could be issued only as the demand notes were cancelled. A second issue of $150,000,000 was authorized by the Act of July 11, 1862, of which, however, $50,000,000 were to be a temporary issue for the redemption of a debt known as the temporary loan. A third issue of $510,000,000 was authorized by the Act of March 3, 1863. The total amount authorized, including the temporary issue, was $450,000,000, and the highest amount outstanding at any time was $449,338,902 on January 30, 1864. There are still outstanding $346,681,016, and are required by law to be reissued whenever they return to the Treasury on any account.

The reduction from the original permanent issue of $400,000,000 to $346,681,016 was caused as follows: The act of April 12, 1866, provided that United States notes might be retired to the extent of $10,000,000 during the ensuing six months, and that thereafter they might be retired at the rate of not more than $4,000,000 per month. This authority remained in force until it was suspended by the Act of February 4, 1868. The authorized amount of reduction during this period was about $70,000,000, but the actual reduction was only about $44,000,000. No change was made in the volume of United States notes outstanding until after the panic of 1873, when, in response to popular demand, the Government reissued $26,000,000 of the cancelled notes.

This brought the amount outstanding to $382,000,000, and it so remained until the resumption Act of January 14, 1875 provided for its reduction to $300,000,000. The process was, however, again stopped by the Act of May 31, 1878, which required the notes to be reissued when redeemed. At that time the amount outstanding was $346,681,016, which is the present amount. The amount of United States notes redeemed from the fund raised for resumption purposes since January 1, 1879 has amounted to several times this original amount, but the volume outstanding has remained undiminished because of the provisions of the Act of May 31, 1878, which require the notes so redeemed to be paid out again and kept in circulation.

The Act of March 14, 1900, also directed the reissue of United States notes when redeemed, but under that act, they would first be exchanged for gold. The act also provided that when silver certificates of large denominations were cancelled, and small denominations issued in their place, a like volume of small United States notes shall from time to time be cancelled and notes of $10 and upward issued in substitution therefor.

The Act of March 4, 1907, provided for the issue, under certain conditions, of United States notes in denominations of $1, $2, and $5, and upon such issue an equal amount of United States notes of higher denominations would be retired and cancelled.

The Act of March 14, 1900, increased the reserve fund to $150,000,000 of gold coin and bullion for the redemption of United States notes and after setting forth the methods to be employed in maintaining the fund provided that if at any time notwithstanding the reserve should fall below $100,000,000 then "it shall be his (the Secretary's) duty to restore the same to the maximum sum of $150,000,000 by borrowing money on the credit of the United States, and for the debt thus incurred to issue and sell coupon or registered bonds of the United States."

At the present time, however, since the Gold Reserve Act of 1934 provides that no currency of the United States shall hereafter be redeemable in gold, except such redemptions in gold bullion as may be permitted by the Secretary of the Treasury with the approval of the President, and gold certificates issued to Federal Reserve Banks if necessary in order to maintain parity with gold, United States Notes are not redeemable in gold.

Also, under the AAA Farm Relief and Inflation Act of

May 12, 1933, which provided that all forms of lawful money shall be full legal tender, as amended by the Joint Resolution of Congress of June 5, 1933, United States Notes are now full legal tender. Previously, United States Notes were legal tender except for duties on imports and interest on the public debt, although in practice, despite the statute, from resumption of specie payments on January 1, 1879 United States Notes had been fully accepted and received in payment of customs duties.

(See Greenbacks.)

UNITED STATES POSTAL SAVINGS BANKS

See Postal Savings System.

UNITED STATES SAVINGS BONDS

These bonds, issued uner the authority of the Second Liberty Bond Act, approved September 24, 1917, as amended, are obligations of the United States Government and are payable in ten years from the date of issue. The only series still being issued are the Series "E", "F" and "G" bonds, although there are still Series "C" and "D" bonds outstanding. When held for 10 years, the Series "E" bonds yield a return which amounts to interest at the rate of 2.9 per cent. compounded semiannually. But to provide for emergency needs of investors, the Government will redeem the bonds at any time after 60 days from the issue date. A table of redemption values showing how the bonds increase in value is shown on page 699. It will be seen from this table that the greatest return is obtained by holding the bonds for the full ten years. The bonds are issued in denominations (maturity values) of $25, $50, $100, $500, and $1,000. The purchase price is three-fourths of the amount which the owner will receive in 10 years; that is, he pays $18.75 for a $25 bond, $75 for a $100 bond, and so on.

To cash a bond before maturity (if it has been held for 60 days or more) the owner simply takes it to any post office where the bonds are on sale or to a bank. In the presence of an officer authorized to perform this service, the owner signs the request for payment printed on the bond and has the officer certify to his signature. Many banks provide redemption service for their depositors. If not, the owner then sends the bond to any Federal Reserve Bank or to the United States Treasury in Washington. The Government will mail a check for the rdemption value of the bond. This will be in an amount equal to the purchase price if the bond nas been held less than a year, but in a greater amount if it has been held more than a year.

Owners are protected against loss of Savings Bonds. Each bond is registered in the name of the owner on the books of the Treasury. Registration may be made in the name of one individual, two individuals as co-owners, or one individual and another as beneficiary. Individuals must be residents of the United States, its territories and possessions, or citizens temporarily residing abroad. If the owner desires, the Treasury will hold it in safe keeping for him at his request at the time of purchase. Under regulations of the Treasury, a duplicate will be supplied if the bond is destroyed or lost. Bonds issued prior to March 1, 1941 were partially tax-exempt as to Federal normal income taxes, but bonds issued since that date are fully taxable.

Bonds may be bought at any time to suit a budget or savings plan. Purchase may be made weekly or monthly as desired, but since the bonds are designed for the investment of savings, no one person is permitted to buy more than $10,000 of face value of the bonds in any one calendar year. In addition to the Series "E" bonds, another appreciation type U. S. Savings Bonds series are the Series "F" bonds. Series "F" bonds mature 12 years from date of issue; cost $74 per $100 maturity value; afford a yield to maturity of 2.53% per annum compounded semi-annually; and may be registered in the same names as for Series "E" bonds, but in addition, in the name of any association, partnership, trustee, or corporation (except commercial banks accepting demand deposits). They may be redeemed by the owner on one month's written notice after six months from date of issue. Limitation on purchase is $100,000 (issue price) for Series "F" and Series "G" combined in any one calendar year.

Series "G" bonds are current income type of U. S. Savings Bonds, affording a yield to maturity of 2.50% per year payable semi-annually by Treasury check. Maturity is 12 years from date of issue. Cost is par. Until maturity, they are redeemable at varying values, except at par upon death of the owner or co-owner or if in the name of a trustee, upon the death of any person whose death terminates the trust. Series "G" bonds may be registered in the same names as Series "F" bonds, and necessitate the same notice for redemption. There is also the same limitation on purchase as for Series "F" bonds.

UNITED STATES TREASURER

See Treasury Department.

UNIVERSAL NUMERICAL SYSTEM

See Numerical Transit System.

UNLAWFUL LOANS

Loans made by banks in violation of the banking laws. Unlawful loans may be divided into four classes: (1) those in excess of the maximum allowed to one borrower (see Limitations on Bank Loans); (2) loans in excess of the legal rate of interest (see Legal Rate of Interest, Usury); (3) loans to certain persons such as bank officers, directors and employees which are prohibited among National banks and usually among state banks unless approved by a majority of the board of directors; (4) loans for certain purposes, e. g., a National bank may not loan upon real estate with a second mortgage as security.

UNLIMITED MORTGAGE

An open end mortgage. A mortgage which is not limited to a certain amount, but nevertheless may be restricted by the bankers who are to sell the bonds secured thereby. The restrictions relate to earnings, purpose for which money is to be spent, probable earning power of the improvements, cost of improvements, etc. The unlimited mortgage, which occurs in public utility mortgages in particular, has the advantage of relieving the company of the trouble and expense of preparing frequent new mortgages as additional funds are needed to meet expansion. An unlimited mortgage also simplifies the financial plan of the company because all of its financing may be accomplished under a

Redemption Values and Investment Yields

U. S. Savings Bonds

Maturity value	-----Series "E"-----		-----Series "F"-----		-----Series "G"-----	
Issue price		$100		$100		$100
		$75		$74		$100
Period after Issue Date:	Red. Value	Inv. Yield on Pur. Price	Red. Value	Inv. Yield on Pur. Price	Red. Value	Inv. Yield on Pur. Price
First 1/2 year	$75.00	0.00%	Not red.	Not red.	Not red.	Not red.
1/2 to 1 year	75.00	0.00	$74.00	0.00%	$98.80	0.10%
1 to 1 1/2 year	75.50	0.67	74.20	0.27	97.80	0.30
1 1/2 to 2 years	76.00	0.88	74.50	0.45	96.90	0.44
2 to 2 1/2 years	76.50	0.99	74.90	0.61	96.20	0.61
2 1/2 to 3 years	77.00	1.06	75.40	0.75	95.60	0.75
3 to 3 1/2 years	78.00	1.31	76.00	0.89	95.10	0.88
3 1/2 to 4 years	79.00	1.49	76.70	1.03	94.80	1.04
4 to 4 1/2 years	80.00	1.62	77.60	1.19	94.70	1.20
4 1/2 to 5 years	81.00	1.72	78.60	1.34	94.70	1.35
5 to 5 1/2 years	82.00	1.79	79.70	1.49	94.90	1.51
5 1/2 to 6 years	83.00	1.85	80.90	1.63	95.20	1.66
6 to 6 1/2 years	84.00	1.90	82.20	1.76	95.50	1.79
6 1/2 to 7 years	86.00	2.12	83.50	1.87	95.80	1.89
7 to 7 1/2 years	88.00	2.30	84.80	1.96	96.10	1.98
7 1/2 to 8 years	90.00	2.45	86.10	2.03	96.40	2.05
8 to 8 1/2 years	92.00	2.57	87.40	2.09	96.70	2.12
8 1/2 to 9 years	94.00	2.67	88.70	2.14	97.00	2.18
9 to 9 1/2 years	96.00	2.76	90.00	2.19	97.30	2.23
9 1/2 tp 10 years	98.00	2.84	91.40	2.24	97.60	2.27
10 to 10 1/2 years			92.90	2.29	97.90	2.31
10 1/2 to 11 years			94.50	2.34	98.20	2.35
11 to 11 1/2 years			96.20	2.40	98.60	2.39
11 1/2 to 12 years			98.00	2.46	99.20	2.44
Maturity	100.00 (10 years)	2.90	100.00 (12 years)	2.53	100.00 (12 years)	2.50
Denominations (Maturity Values)	$25, $50 $100, $500, $1,000		$25, $100, $500 $1,000, $5,000, $10,000		$100, $500, $1,000, $5,000, $10,000	
Negotiability	Registered and not transferable		Registered and not transferable		Registered and not transferable	
Redemption	After 60 days from date of issue at holder's option		After 6 months at holder's option on 1 month's written notice		After 6 months at holder's option on 1 month's written notice	

single mortgage rather than having outstanding several issues brought out under different mortgages. (See Open End Mortgage.)

UNLISTED SECURITIES

Securities not admitted to registration, listing or trading on organized securities exchanges, but traded in the Over-the-Counter Market (q. v.). Trading in such securities is conducted by brokers and dealers for their customers and for own account with other brokers, dealers, and customers wherever a market can be found, various dealers making a market for particular issues. Various firms make a specialty of dealing in unlisted securities, and some exchange members maintain unlisted securities departments.

Transactions in the Over-the-Counter Market are not made public, but quotations on issues having the greatest public interest are furnished for publication by the National Association of Securities Dealers, Inc. (q.v.). Althouth it is impossible to make any dependable estimates of the number of securities traded Over-the-Counter or to calculate the amount of money involved in such transactions, it is an accepted fact that the aggregate of transactions in unlisted securities traded in the Over-the-Counter Market exceeds that of transactions on the stock exchanges. Approximately 3,000 securities are listed on stock exchanges, whereas quotations on some 25,000 Over-the-Counter securities are published during the course of a year. U. S. Government securities, issues of States and Municipalities, the bulk of trading in corporate bonds, and particular types of stocks, such as bank, insurance, and investment com-

pany stocks, guaranteed stocks, as well as the bulk of stocks which are either not qualified for listing or which the managements do not prefer to list, are traded in the Over-the-Counter or unlisted securities market.

Banks, in making security loans, usually favor securities with a listed market. However, some listed securities which are inactive may have less desirability for collateral purposes than unlisted securities which enjoy active markets. Also, because of the credit restrictions imposed by the Securities Exchange Act, listed securities are the only securities, except Government and Municipal securities, which exchange members and most brokers and dealers may accept as collateral in security loans. Because of the high margin requirements of recent years on listed securities (75% effective February 1, 1947 and 100% from January 21, 1946 to January 31, 1947), the New York Stock Exchange points out that speculative funds have been attracted to unlisted securities, commodities markets and real estate, where speculative funds may have the leverage of lower collateral, margin or lending requirements.

UNLISTED TRADING PRIVILEGES

A security admitted to trading on an exchange upon the request of a member as distinguished from the issuer is said to be admitted to "unlisted trading privileges." Such privileges may be granted by an exchange without regard to agreement by the issuer. A security admitted to unlisted trading privileges should be distinguished from a listed security which is admitted to trading upon application of the issuer. (For a discussion of the distinctions between a listed security and one admitted to unlisted trading privileges see report of the Securities Exchange Commission on "Trading in Unlisted Securities Upon Exchanges," Part I.)

Stocks admitted to unlisted trading privileges on the New York Curb Exchange, also called "traded stocks," are those traded, quoted, and cleared by the New York Curb Exchange, although actually unlisted. Since passage of the Securities Exchange Act of 1934, the restrictions on the admission of securities to unlisted trading privileges are so stringent that the number of issues so admitted has been negligible. Practically all of the present issues admitted to unlisted trading privileges on the New York Curb Exchange, or their predecessors, were so admitted prior to enactment of the Act.

Nevertheless, securities admitted to unlisted trading privileges still represent a substantial proportion of the total trading list of the Curb Exchange. As of December 31, 1947, the trading list compared as follows: Stocks: fully listed, 449; unlisted trading privileges, 387; total, 836; proportion in unlisted trading privileges, 46 per cent. Bonds: fully listed, 19; unlisted trading privileges, 95; total, 114; proportion in unlisted trading privileges, 83 per cent. Total issues: fully listed, 468; unlisted trading privileges, 482; total, 950; proportion in unlisted trading privileges, 51 per cent.

Unlisted trading privileges may also be authorized by the Securities and Exchange Commission on one exchange to securities which are fully listed on other national securities exchanges. The Commission in granting such applications considers such factors as distribution of the issue in the area of the exchange and volume of trading originating in the area. The Boston Stock Exchange and the San Francisco Stock Exchange, in particular, have high proportions of their trading list in issues admitted to unlisted trading privileges.

The New York Stock Exchange discontinued the practice of admitting issues to unlisted trading privileges in 1910.

UNLOAD

An expression used to indicate the sale of securities or commodities to avoid a loss due to a falling market, or any expected unfavorable development; "to get out from under" before prices collapse. Very often the "insiders," i. e., officers of a corporation, unload their holding of the securities of their corporation in anticipation of poor earnings or threatened insolvency, upon the market. The expression is usually applied to transactions on a large scale.

UNREGISTERED EXCHANGE

A stock exchange which is exempted from registration with the Securities and Exchange Commisssion under Sec. 5 of the Securities Exchange Act of 1934 (q.v.), upon application of the exchange because, in the opinion of the Commission, by reason of the limited volume of transactions effected on such exchange, it is not practicable and not necessary or appropriate in the public interest or for the protection of investors to require such registration.

As of June 30, 1947, the following stock exchanges are exempt from registration: Colorado Springs Stock Exchange, Honolulu Stock Exchange, Minneapolis-St. Paul Stock Exchange, Richmond Stock Exchange, and Wheeling Stock Exchange.

(See Stock Exchanges.)

UNSECURED CREDITOR

A general creditor; a person or company which has no security or other legal claim upon specific property to satisfy a debt. An unsecured creditor shares in the distribution of the assets of a bankrupt equally with all others after preferred and secured claims have been met. (See Liabilities.)

UNSTEADY

An expression used to describe the stock market when prices fluctuate widely, but close without showing a definite tendency.

UNVALUED SHARES

See No Par Value Stock, Without Par Value.

URBAN MORTGAGE DEBT

Mortgage debt on non-farm property, including homes, apartment houses, office buildings, lofts, hotels, etc. As estimated by the U. S. Department of Commerce, mortgage debt, farm and urban (non-farm), is reported on an individual and non-corporate basis separately from corporate debt, long term and short term.

At the close of 1946, urban mortgage debt amounted to $33.5 billion, a record high surpassing the previous peak of $33.1 billion in 1930, and representing an expansion of about 20% over the 1945 total of $27.9 billion. This rate of expansion was the fastest among types of private debt, reported as corporate, long term and short term; individual and non-corporate, consisting of

mortgage debt (farm and urban) and non-mortgage, farm and non-farm. Urban mortgage debt since 1927 has been the largest single type of individual and non-corporate debt. It is held by institutions and individuals, institutional lenders in particular having expanded such type of debt in recent years stimulated by the facilitating arrangements offered by the Federal Housing Administration (q.v.), and the Servicemen's Readjustment Act of 1944.

(See Internal Debts.)

USANCE

The non-statutory period of time fixed by mercantile usage or custom for the payment of a bill of exchange drawn in one country and payable in another. (See Foreign Bills of Exchange.)

USURY

From the Latin, "usura," meaning enjoyment, interest, i.e., money paid for the use of money. Although the term originally meant interest, in modern times it has come to mean excessive interest, particularly interest in excess of the maximum rate fixed by law.

In the United States, interest rates are fixed by the various States, which prescribe a maximum legal rate, and also fix the maximum contract rate. Every State in the United States has by statute fixed the legal or conventional rate, usually 6%, applicable to matured obligations, judgments and in the absence of contract. With the exception of Colorado, Maine, Massachusetts and New Hampshire, the States also impose limits on the contract rates of interest. In addition, some 40 States have adopted "small loan" statutes, regulating loans of $300 or less and patterned after the Uniform Small Loan Law.

The penalties for violation of the usury laws vary in the different States. In some States, creditors may recover principal and interest, losing only the excess interest, but in others, a usurious contract is void, and the lender is subject to fine and imprisonment. (See Legal Rate of Interest, Small-Loan Business.)

VALEURS

The French equivalent for the term securities in the United States. In France, stocks are called actions, and bonds are called obligations. Obligations may also be known as fonds d'etat (Government funds, i. e., bonds, fonds garantis, i. e., guaranteed bonds, and as emprunts, meaning borrowings.

VALORIZATION

The process of attempting to establish a higher market price for a commodity by governmental interference than would obtain by free and open competition. The arbitrary market value is established in several ways, e. g., governmental maintenance of a purchasing fund, and by governmental loans to producers to enable them to hold their products awaiting a favorable market opportunity, etc. Thus, the Government of Brazil in the past attempted to valorize coffee, which had declined to a price far below its normal cost of production.

VALUATION

Appraisal or act of appraisement; appraised value; market value; estimated value; amortized value; depreciated value.

The basis of valuation of property of railroads and other public utilities has been a point of contention ever since the courts first entertained appeals to review the determinations of valuation of properties for rate making and other purposes by administrative agencies of the Federal Government and the States. The three principal bases of valuation are: (1) market value of the properties; (2) cost or investment in the properties; and (3) cost of reproduction of the properties as of current date. Perhaps the most famous court cases in which the U. S. Supreme Court passed upon valuation disputes are: Smyth v. Ames, 169 U. S. 466 (1898), which laid down the rule that all elements should be considered in the determination of "fair value"; and St. Louis & O'Fallon Railway Co. v. U. S., 279 U. S. 461 (1929), in which the Supreme Court followed the rule of Smyth v. Ames and refused to adopt the viewpoint of the dissenting justices and the Interstate Commerce Commission that the prudent investment basis was a satisfactory sole basis for valuation to be followed for all time.

For bases of valuation of bank investments, see Comptroller's Regulation, Investment Securities Regulations.

VALUATION ACT OF 1913

This was an amendment of the Interstate Commerce Act (q.v.) of 1887, passed March 1, 1913, and amended February 28, 1920. It is section 19-a of the Interstate Commerce Act, and is known as the Physical Valuation of Property Act, which provides for the valuation of all railroad properties in the United States. In the rate-making section of the Transportation Act of 1920 (q.v.), it was provided that as soon as the valuation of a railroad had been determined under section 19-a of the interstate Commerce Act that valuation shall be used in revising the tentative value of each rate territory for rate-making purposes.

The original purpose of the Valuation Act (which was sponsored by Senator Robert M. LaFollette) was to ascertain the physical valuation of the railroads in the belief that actual values were far exceeded by capital issues, i. e., that railroad capitalizations were excessive in terms of real value behind them. By June 30, 1934, practically all of the work of valuing the railroads by the Bureau of Valuation of the Interstate Commerce Commission had been completed. These valuations of individual railroad properties are as of various dates from 1914 on, and are not brought down to date. It is the consensus of opinion, however, that railroad valuations, if allowance be made for present values, are considerably above the par value of securities outstanding.

The Valuation Act did not specify the use of any particular basis of valuation, and generally stated "that the (Interstate Commerce) Commission shall investigate, ascertain, and report the value of all the property owned and used by every common carrier subject to the provisions of the Act. To enable the Commission to make such investigation and report, it is authorized to employ such experts and other assistants as may be necessary. . . . The Commission shall make an inventory which shall list the property of every common carrier subject to the provisions of the Act in detail, and show the value thereof as hereinafter provided, and shall classify the physical property, as nearly as practicable, in conformity with the classification of expenditures for road and equipment, as prescribed by the Interstate Commerce Commission. In such investigation said Commission shall ascertain and report in detail as to each piece of property owned or used by said common carrier for its purposes as a common carrier, the original cost to date, the cost of reproduction new, the cost of reproduction less depreciation, and an analysis of the methods by which these several costs are obtained, and the reason for their differences, if any. The Commission shall in like manner ascertain and report separately other values, and elements of value, if any, of the property of such common carrier, and an analysis of the methods employed, and of the reasons for any differences between any such value, and each of the foregoing cost values."

Valuation data in practice proved unsatisfactory as basis for either the now repealed "recapture clause" of the Transportation Act of 1920, or for rate making. Accordingly, the Emergency Railroad Transportation Act of 1933 provided for a new rule of rate making, under which the Interstate Commerce Commission is required to give due consideration to the effect of rates on the movement of traffic, to the need in the public interest of adequate and efficient railroad transportation service at the lowest cost consistent with the furnishing of such service; and to the need of revenues sufficient to enable carriers under honest, economical and efficient management to provide such service.

(See Railroad Industry, Railroad Legislation.)

VALUE

The ratio at which commodities or services exchange; the power of one commodity or service to command other commodities or services in exchange. In all civilized countries, for the sake of convenience, money is used as a common denominator, medium of exchange, or yardstick of value, so that the values of other com-

modities and services are expressed as ratios to the standard money.

The explanation of value, that is, why goods and services command the money prices they do, is one of the most difficult problems in economics.

Price differs from value in that the former is value in money terms; moreover, a thing may have value without having a price, e. g., something which is not priced for sale.

While the above serves as a general definition of the term, there are many special connotations as expressed in such terms as book value, market value, par value, cost value, sales price value, reproduction cost value, replacement value, scrap value, present value, tangible value, intangible value, capitalization of earning power, liquidation value, etc. These terms are treated separately. (See Assessed Value, Book Value, Intrinsic Value, Inventory Value, Investment Value, Market Value, Par Value, Trading Value.)

VALUE DATE

The date upon which the proceeds of a check or other instrument deposited for credit become available for withdrawal, i. e., have a value. The term is used particularly in foreign exchange bookkeeping to indicate the date upon which the proceeds of a draft become available for the use of a customer or correspondent, or upon which a remittance becomes available in the account of the purchaser abroad.

VAULT

A secure space for the protection and storage of valuable property. Among banks three types of vaults are used—money vaults, record vaults, and storage vaults. The latter type of vault is for the protection of current and old records, etc., and is proof against fire and water. Money vaults are designed to be proof against fire, water, burglary, and mob violence.

Money vaults vary greatly in size and construction, those of safe deposit companies oftentimes occupying an entire basement or ground floor. Many ingenious devices have been invented to secure protection against burglars, and among the larger banks a large number of these devices are in use. The larger vaults are equipped with 2-ft. thick armor plate steel walls, and 3-ft. steel doors. Since most burglars gain access to a vault through the door by boring or drilling the combination, it is necessary to give it added protection. Such added protection may consist of an electric signal alarm system communicating with the local burglar alarm company and setting off an alarm bell in the bank; a time lock, and by running an electric current through the door. The time lock does not open the door automatically, but prevents its opening before a prearranged hour. By means of an electric current, any person tampering with the combination, or bolts of the door is gripped by an electric current. The vault wall itself is very often embedded in a concrete case. In some banks, a network of wires is run through the vault wall so that the slightest puncture will produce a contact that will notify the local burglar alarm company and set off an alarm in the bank. If burglars gain access to the interior of the vault, steam jets may be so arranged to fill the place with live steam in a few moments.

The interior of a vault is usually divided into many compartments, each of which is protected by one or more combination locks which, like the outside combination, are subject to joint control. The combinations to these locks are known by separate officers having custodianship over certain portions of the bank's assets; thus, one compartment may contain the bank's money reserve, another United States bonds; another other securities, another securities pledged as collateral; another securities for which the bank is custodian; another trust department assets, etc. (See Safe Deposit Company.)

VELVET

An easily made profit; bonus; net profit clear of expenses. An expression to denote a profit made on a speculative transaction.

VENDEE

One to whom something is sold.

VENDOR

One who sells, or who has sold, something.

VISE (VISA)

An official indorsement on a passport, or other document as an approval or attestation of its validity. A visé is a certification that a document has been examined by the proper authorities and found to be correct and regular in all respects. The term "visa" is used by the U. S. State Department.

VISIBLE SUPPLY

Stocks of goods subject to statistical measurement.

A term used particularly to denote the stocks of grain in public and private terminal elevators, at all terminal markets, and the amount in transit, as distinguished from the amount held on the farms. It is also used to indicate the stocks of other commodities on hand at the principal souces of production, e. g., copper stocks at refineries, raw sugar supplies held by importers and refineries, hides held by packers, tanners, and importers, etc.

VISITORIAL POWERS

Under the Federal Reserve Act (Sec. 21), no bank shall be subject to any visitatorial (visitorial) powers other than such as are authorized by law, or vested in courts of justice, or such as shall be or shall have been exercised or directed by Congress, or by either the House of Representatives or Senate, or by any committee of Congress or of either House duly authorized.

Member banks of the Federal Reserve System are subject to examination at least twice each year or oftener if considered necessary, by examiners appointed by the Comptroller of the Currency with the approval of the Secretary of the Treasury. The Board of Governors of the Federal Reserve System, however, may authorize examination by the State authorities to be accepted in the case of State member banks, and may at any time direct the holding of a special examination of State member banks. In addition to the examinations made and conducted by the Comptroller of the Currency, every Federal Reserve Bank may, with the approval of the Federal Reserve Agent or the Board of Goverors, provide for special examination of member banks within its district. The Federal Reserve Banks themselves, at least once a year, are subject to examination ordered

by the Board of Governors. Upon joint application of ten member banks, the Board of Governors shall order also a special examination and report of the condition of any Federal Reserve Bank.

State corporation laws usually specify details of judicial supervision of a corporation and of the officers and members thereof. In New York State, this is found in Article 6 of the General Corporation Law, Sec. 62 of which states that such specification of judicial supervision shall not impair any visitorial power over a corporation vested in a corporate body or public officer.

(See Bank Examinations.)

VITAL STATISTICS

See Population.

VOLUNTARY ASSOCIATION

A rare form of business organization similar to that of a Trust (q.v.) in the popular sense. In Massachusetts, such "Massachusetts trusts" or voluntary associations exist, by which the management of the business is given over to a number of trustees by a deed of trust from the stockholders. The stockholders receive transferable certificates which represent their interest in the association. (See Massachusetts Trust.)

VOLUNTARY BANKRUPTCY

See Bankruptcy.

VOLUNTARY TRUST

See Living Trust.

VOSTRO ACCOUNTS

A term used in foreign exchange bookkeeping to denote the accounts of foreign banks, or other foreign correspondents having dollar balances on deposit with a domestic bank, or other institution. The term literally means "your accounts," and is the antonym of Nostro Accounts (q. v.).

VOTING POWER

Ultimate power in a corporation is the voting power exercised by stockholders.

Sec. 47 of the New York Stock Corporation Law states that unless otherwise provided in the certificate of incorporation or other certificate filed pursuant to law, every stockholder of record of a stock corporation shall be entitled at every meeting of the corporation to one vote for every share of stock standing in his name on the books of the corporation.

Stockholders thus vote by shares of stock held, except in the following cases: (1) Voting per capita by stockholders present at a corporate meeting for inspectors of election, as authorized by Sec. 46 of the Stock Corporation Law; and (2) Cumulative voting as authorized by the certificate of incorporation or other certificate filed pursuant to law, for elections of directors. In cumulative voting, each stockholder is entitled to as many votes as shall equal the number of votes which excepting for such cumulative voting provisions he would be entitled to cast for the election of directors with respect to his shares of stock multiplied by the number of directors to be elected. The stockholder may cast all such cumulative votes for a single director or may distribute them among the number of directors to be voted on, or any two or more of them, as he may see fit.

There are three ways of depriving the stockholder of voting power: (1) By the stockholder's use of the proxy, as authorized by Sec. 19 of the General Corporation Law. Every member of a corporation, except a religious corporation, entitled to vote at any meeting may vote by proxy. (2) By creation of the voting trust, as authorized by Sec. 50 of the Stock Corporation Law. A stockholder, by agreement in writing, may transfer his stock to a voting trustee or trustees for the purpose of conferring the right to vote thereon for a period not exceeding ten years upon the terms and conditions stated in the agreement. (3) By reclassifying a class of stock, so as to deprive the entire class of stock of voting power, as authorized by Sec. 51 of the Stock Corporation Law. The certificate of incorporation or other certificate filed pursuant to law may provide, either absolutely or conditionally, that the holders of any designated class or classes of stock shall not be entitled to vote, or it may otherwise limit or define the respective power of voting of the several classes of stock. However, in any proposal for classifying or reclassifying any already authorized or outstanding shares so as to deprive a class of stock of voting power, the holders of all shares of any class or classes that will be adversely affected by such action shall be entitled to vote, regardless of any provision to the contrary in the certificate of incorporation or other certificate of incorporation or other certificate filed pursuant to law. (See Proxy, Voting Trust.)

VOTING TRUST

A trust created in which the stockholders of a single corporation deposit their stock in the custody of designated trustees, called voting trustees, who issue stock trust certificates, or voting trust certificates, in exchange. The stockholders retain all rights in their stock except voting power, which is delegated to the trustees under the terms, and during the life of, the voting trust agreement. Voting trusts are usually created in reorganizations when it is desirable to concentrate the control in the hands of capable persons in order that the corporation may be better tided over the difficult period. Otherwise, the purpose is to secure continuity in policies, management, and operation, e.g., a voting trust is often provided for in the case of companies closely owned so as to assure stability of management.

Under the New York Stock Corporation Law (Sec. 50), a voting trust agreement is limited to ten years. Other states have enacted laws imposing similar limitations. Trust companies are often appointed by voting trustees to act as custodian of stock certificates, to issue and transfer voting trust certificates in exchange, and to disburse dividends received upon the stock to the proper owners.

The National bank laws do not authorize the creation of voting trusts for National banks. The provisions of Sec. 50 of the Stock Corporation Law in New York also do not apply to stock of a banking corporation, and most States similarly exclude banks.

VOTING TRUST CERTIFICATE

A certificate issued by voting trustees to a stockholder as a negotiable receipt for stock certificates deposited with such trustees. (See Voting Trust.)

VOTING TRUSTEES

See Voting Trust.

VOUCHER

A receipt; a recepted bill or statement; any paper evidencing a money expenditure or payment of a debt. Cancelled checks are often called vouchers because they offer proof of payment. Originally, a voucher meant a person or paper that afforded proof, or bore witness concerning some matter under examination.

VOUCHER CHECK

A special form of check combining the features of a formal receipt and a check. On a voucher check space is reserved in the left hand margin, or on the reverse side, to indicate the goods, services or debt owing, i.e., statement of account or invoice, for which the check is in payment. A variant form of the voucher check is a double sized check folded in the middle, one sheet operating as a check and the other as a voucher.

The advantage of a voucher check is that each bill is identified with its payment, and when the check is returned from the bank indorsed by the payee (creditor), it constitutes unquestionable evidence of payment. The voucher check is in general use among large corporations where the voucher system is in operation. In personal checking transactions, an ordinary cancelled check serves the purpose of a receipt quite as well as a voucher check.

VOUCHER DEPARTMENT

The department of a bank, the function of which is to cancel, verify, file, store, and forward cancelled checks or vouchers to the depositors who drew them, after they have been posted to the debit of depositors' accounts on the ledgers and statements. Checks are cancelled as of the date they are paid and posted to the drawer's account. Cancellation is effected by means of a perforating machine which cuts the following words into the check: "Paid .....(date) ..... Blank Bank." The cancelled checks are then sorted by customers' accounts, and filed until the statements are prepared. They are arranged in the order of payment, which is the same as the order in which they appear on the statement. When the latter is ready, the cancelled checks are verified by "checking" them against the entries on the statement. Individual customers' cancelled checks are usually combined with the statement, placed in an envelope, and retained at the bookkeeper's window until called for by the customer. Cancelled checks are sent to out-of-town customers by registered mail, or express.

WAIVER

Voluntary renunciation or relinquishment of a legal right. (See Waiver of Demand,-Waiver of Notice, Waiver of Protest.)

WAIVER OF DEMAND

It is required by law (Sec. 89, Uniform Negotiable Instruments Law; Sec. 160, N. Y. Negotiable Instruments Law) that notice of demand and protest be given to indorsers of a check, bill, or note, in case of dishonor. Although the parties secondarily liable are entitled to receive notice of dishonor and refusal to pay, it is a right which they may waive (Sec. 109, Uniform Negotiable Instruments Law; Sec. 180, N. Y. Negotiable Instruments Law). (See Protest Waived.)

WAIVER OF NOTICE

This term has two applications:

(1) See Protest Waived.

(2) Corporation meetings under State statutes are of six basic types: (1) Directors' meetings are regular meetings of the board of directors, and special meetings. Under Sec. 27 of the New York General Corporation Law, the by-laws may provide for a quorum for directors' meetings, to be not less than 1/3rd of the board, and fix the dates of regular meetings of the directors. If the dates for regular meetings appear in the by-laws, the directors are not entitled to any additional notice. For special directors' meetings, notice is required, but such notice may be waived. (2) Stockholders' meetings are the annual meetings, special meetings, meetings to oust holdover directors, and extraordinary meetings (those held by application to the Supreme Court, where there is difficulty in getting required ratio of consent because of stockholder apathy in sending in proxies or attending, etc.). Notice is required for all these types of meetings, but under Sec. 31 of the General Corporation Law, may be waived, in writing. (See Meetings.)

WAIVER OF PROTEST

See Protest Waived.

WALL STREET

A popular designation for the financial district of New York and by extension, the financial interests of the United States. The Wall Street district includes not only the New York Stock Exchange, and the New York Curb Exchange with the brokerage houses of their members, but also the largest banks and trust companies, the New York Clearing House, many of the general offices of the large industrial, railroad and insurance companies, a large number of the import, export, and steamship companies, Chamber of Commerce, Customs House, and the Produce, Cotton, Coffee and Sugar, Cocoa, and Commodity Exchanges.

Since finance is the key to the economic structure, any objective appraisal of the role of Wall Street must include as one of its conclusions the fact that it provides liquidity for the large volume of listed securities, as well as providing a market place facilitating the flow of equity capital from private sources essential to business development.

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WAR ASSETS ADMINISTRATION

An executive agency, created by Executive Order on March 25, 1946, to centralize the functions of a number of Government property disposal agencies. Its specific functions are to formulate policies and execute those policies for the disposal of surplus property remaining from World War II of the U. S. Government, such disposal to be executed in a "fair and equitable" manner. The WAA by September 30, 1947 had taken over some $27 billion of Government surplus property, with another $7 billion additional expected to be acquired for disposal, of which some $21 billion had already been disposed of by its domestic disposal agencies.

WAR DEBTS

Credits extended by the United States to European nations for the purpose of prosecuting World War I. According to a study of the Brookings Institution, total credits extended by the United States during the period April 6, 1917 to November 1, 1920 totaled $9,466 million, of which $4,197 million was extended to Great Britain, $2,966 million to France, $1,631 million to Italy, and $349 million to Belgium. Giving effect to various settlements, total payments made to the United States on war debts account from 1918 to 1931 aggregated $2,606 million, of which $1,891 million was interest.

Although the United States never received reparations from Germany, it nevertheless financed German borrowing under the Dawes and Young Plans. During the period 1924-1930, it is estimated that net foreign debt of Germany was increased by 18 billion Rm. to 25 billion Rm., and that about 55% of the long term debt and 37% of the short term debt of Germany were financed in the United States. During the period 1924-1931, under the Dawes and Young Plans, German payments to the United States on her debt aggregated 449 million Rm. Whether directly contemplated or not, financing by the United States of German debt aided Germany in meeting reparations payments to the other Allies, who in turn were aided by such payments at least indirectly in meeting war debt payments to the United States.

This circuitous flow of funds broke down in 1930 and 1931, and in June, 1931, the Hoover Administration declared a moratorium of one year on war debt payments to the United States. The Lausanne Conference in June and July, 1932, eliminated an estimated 90% of Ger-

many's reparations liability and substituted therefor the plan calling for delivery by Germany to the Bank for International Settlements of an issue of 3 billion Rm. in 5% bonds (approximately $715 billion), to be held by the Bank three years and then publicly offered. Not long afterward, debtors of the United States began to default on war debt payments on the grounds of hardship, and in June, 1934, Germany proclaimed a transfer moratorium and suspended cash payments on foreign debts. As of July 1, 1947, the Treasury reports a total outstanding indebtedness on war debts account, in principal and accrued interest, of $14.8 billion, exclusive of unfunded war debts (Armenia and Russia) totaling another $495.9 million.

On April 13, 1934, the Johnson War Debt Default Act was approved, prohibiting financial transactions with any foreign government in default in the payment of its war debts. On March 10, 1941, the Lend-Lease Act was approved, and "war debts" for the prosecution of World War II were financed in large part under this Act in subsequent years. (See Lend-Lease, War Debts Default Act.)

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WAR DEBTS DEFAULT ACT

An act, approved April 13, 1934, sponsored by Senator Johnson of California, which had as its main object the prohibition of financial transactions with any foreign government in default in the payment of its obligations, or any part thereof, to the government of the United States. It also imposed a fine of not more than $10,000, or imprisonment for not more than five years, or both, for violation of this act.

Extensions of military and civilian aid during World War II for the purpose of prosecuting the war were administered under Lend-Lease (q.v.), authorized by the Lend-Lease Act approved March 10, 1941.

WAR FINANCE CORPORATION

A corporation created by the Act of April 5, 1918, for the purpose of aiding financing of essential war industries and the marketing of their products. The Corporation during the years 1918-1923 provided financing for exports and agricultural intermediate credit. It may be regarded as an antecedent of the Reconstruction Finance Corporation (q.v.), created by Act of Congress on January 22, 1932.

WAR LOANS

Organized financing drives by the Government during and for the purpose of financing a war.

During World War II, the United States organized seven War Loans and a Victory Loan, as follows:

First War Loan: Offered November 30, 1942, and consisting of $2,831 million in Treasury 2 1/2% bonds, due 1963-1968; $3,062 million in Treasury 1 3/4% bonds, due June 15, 1948; and $3,800 million in Treasury 7/8% Certificates of Indebtedness.

Second War Loan: Offered March 12, 1943. Consisted of $3,762 million in Treasury 2 1/2% bonds, due 1964-1969; $4,939 million in Treasury 2% bonds, due 1950-1952; and $5,251 million in Treasury 7/8% Certificates.

Third War Loan: Offered August 16, 1943, consisting of $3,779 million in Treasury 2 1/2% bonds, due 1964-1969; $5,257 million in Treasury 2% bonds, due 1951-1953; and $4,122 million in Treasury 7/8% Certificates.

Fourth War Loan: Offered November 22, 1943. Consisted of $2,212 million in Treasury 2 1/2% bonds, due 1965-1970; $3,728 million in Treasury 2 1/4% bonds, due 1956-1959; and $5,048 million in Treasury 7/8% Certificates.

Fifth War Loan: Offered April 14, 1944. Consisted of $2,909 million in Treasury 2 1/2% bonds, due 1965-1970; $5,825 million in Treasury 2% bonds, due 1952-1954; $1,948 million in Treasury 1 1/4% Notes; and $4,770 million in Treasury 7/8% Certificates.

Sixth War Loan: Offered October 23, 1944. Consisted of $3,448 million in Treasury 2 1/2 bonds, due 1966-1971; $7,922 million in Treasury 2% bonds, due 1952-1954; $1,550 million in Treasury 1 1/4% Notes; and $4,395 million in Treasury 7/8% Certificates.

Seventh War Loan: Offered April 11, 1945, consisting of $7,967 million in Treasury 2 1/2% bonds, due 1967-1972; $5,284 million in Treasury 2 1/4% bonds, due 1959-1962; $2,635 million in Treasury 1 1/2% bonds, due December 15, 1950; and $4,799 million in Treasury 7/8% Certificates.

Victory Loan: Offered September 12, 1945. Consisted of $11,689 million in Treasury 2 1/2% bonds, due 1967-1972; $3,470 million in Treasury 2 1/4% bonds, due 1959-1962; and $3,768 million in Treasury 7/8% Certificates.

In addition to these offerings of marketable securities, the Treasury organized large financing drives for the placement of U. S. Savings Bonds (q.v.), first issued in 1935 and emphasized during the War Loan drives for purchases by individuals either directly or through payroll savings plans. (See U. S. Government Securities.

WAR PAPER

Same as War Loans (q.v.).

WARD

A minor child whose person or property, or both, are under the control of a Guardian (q.v.).

WAREHOUSE ACT

See Warehouse Receipts Act.

WAREHOUSE CERTIFICATE

Same as Warehouse Receipt (q.v.).

WAREHOUSE COMPANY

A company engaged in the business of storing goods and merchandise for hire. Such a company has a lien on property stored for the amount of the charges, and an insurable interest in such property to the extent of charges, and any advances that may have been made thereon.

The term "public" warehouse applies to all storage buildings whose facilities are open to the public, as compared with the private warehouses of individual manufacturers used only for the products of the owner. It was estimated by the National Bureau of Economic Research that in 1941 there were at least 5,000 field warehouses in the United States, of which about 3,000 were operated by large regional or national companies,

and about 2,000 operated by small local concerns.

A distinct feature of the modern warehousing companies is the diversification of their service. In addition to furnishing storage space, many of the larger companies provide steamship piers, loft buildings for manufacture, cold storage plants, railroad connections with the trunk lines, and truck distributing services—all of these facilities operating as a closely co-ordinated unit. Thus there are several sources of revenue from a single customer. A manufacturer hiring space in one of the loft buildings is likely to store his excess stock in the nearby warehouses of the company. Similarly, it is likely that he will use the company's piers for his foreign trade and the company's trucks and railroad connecting facilities for his inland distribution. While the warehouse company profits from this diversification of services, the customer himself also benefits from the economy and convenience of storage and distribution facilities concentrated at a single point and under a single direction.

Field warehousing organizations in recent times have also developed field warehousing services, including the segregation, storage inspection, and protection of pledged goods stored on the premises of a borrower, rather than in warehouse space, thus facilitating field warehouse loans by banks. (See Warehouse Receipts.

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WAREHOUSE LOANS

Loans made against warehouse receipts, i. e., against the evidence of goods stored in a warehouse. (See Warehouse Receipts.)

WAREHOUSEMAN

See Warehouse Company, Warehouse Receipt.

WAREHOUSE RECEIPT

A receipt for goods stored in a warehouse; an undertaking in which the warehouseman or warehouse compaby acknowledges receipt and agrees to the safe custody and redelivery of the therein described goods upon surrender of the receipt properly indorsed and payment of the charges. To the owner or holder to whom the goods are deliverable it also constitutes a document of title.

Warehouse receipts are issued in negotiable and non-negotiable form, but usually the former in order that they may serve as collateral for bank loans. Since they do not call for payment in money they cannot technically be called Negotiable Instruments (q.v.). A non-negotiable receipt states that the goods will be delivered to the depositor or to some other person designated on its face. A negotiable receipt states that the goods will be delivered to the bearer or to the order of some person named therein. Negotiable receipts are printed on a yellow form and non-negotiable receipts on a white form.

Under the Federal Warehouse Receipts Act a warehouse receipt may be issued only by a licensed warehouseman, and must contain the following essential details: (1) name and location of the warehouseman, (2) date of issue of receipt, (3) consecutive number of the receipt, (4) whether the goods are deliverable to order or to bearer, or to a specified person, (5) description of the goods, stating grade or class, (6) if owned in part by the warehouseman, a statement of that fact, (7) signature of the warehouseman, and (8) rate of storage charges.

Warehouse receipts offer an important basis of commercial credit, and are frequently employed by importers, manufacturers, and merchants as collateral for bank loans. They are regarded as good collateral provided the merchandise stored is not subject to rapid physical deterioration, nor to excessive market depreciation. In case of deterioration or decline in value, the warehouseman is compelled to notify the depositor of the merchandise, and the bank which has made advances against the receipt. Since the warehouseman is not responsible in case of loss or damage by fire, the receipt should be accompanied by a fire insurance certificate if offered as bank collateral.

The typical form of negotiable warehouse receipt is given below.

(See Warehouse Receipts Act.)

.....Warehouse Company
1000 Main Street
No. ..... New York .....19....

RECEIVED on storage in warehouse, 1000 Main Street, New York City from .....
.....
the following packages (contents and condition of contents unknown) ex .....
said to contain the goods described below.

Marks	Number	Packages	Kind	Description
.....	.....	.....	.....	.....

Which will be delivered to order on payment of the charges specified hereon and the surrender of this receipt.

Advances made ....
Labor in and out ..... Warehouse Company
Storage per month ....
President

Form of Warehouse Receipt

WAREHOUSE RECEIPTS ACT

Prior to 1916 warehouse and elevator companies were under the regulations of the separate states. In New York State, the Uniform Warehouse Receipts Act was first enacted in 1907, and in 1909 was amended and incorporated into the General Business Law as Article IX (Secs. 90 to 143, inclusive). At the instigation of the Department of Agriculture, Congress passed the Federal Warehouse Receipts Act on August 11, 1916. The purpose of this act was two-fold: (1) to standardize the type of warehouses storing agricultural products acceptable as collateral for bank loans, and (2) to standardize warehouse receipts in order to furnish more satisfactory evidence of storage and to obtain more complete records.

Under the Federal Act, as amended in 1919, 1923 and 1931, warehouses are licensed and brought under the inspection service of the Department of Agriculture. Periodic reports are required of all warehousemen so that their financial condition, and the physical condition

of their properties may be known at all times. The principal classes of merchandise stored in warehouses under warehouse receipts that are acceptable as bank collateral are grains, cotton, wool, silk, tobacco, sugar, coffee, and seeds.

WARRANT

A short term obligation of a municipality, or other political subdivision, constituting a part of its floating debt. A warrant is a revenue obligation issued in anticipation of tax collections.

Federal Reserve banks are permitted to invest in such warrants as are defined by the Federal Reserve Act, thus: "with a maturity from date of purchase of not exceeding six months, issued in anticipation of the collection of taxes or in anticipation of the receipt of assured revenues by any state, county, district, political subdivision, or municipality in the continental Unite d States, including irrigation, drainage and reclamation districts, such purchase to be made in accordance with rules and regulations prescribed by the Board of Governors of the Federal Reserve System." Regulation F of the Board of Governors regulates the purchase of such warrants. (See Dividend Warrant, Interest Warrant, Stock Purchase Warrant, Municipal Warrant.)

WARRANTS ATTACHED

See Stock Purchase Warrant.

WARRANTY DEED

See Deed.

WASH SALE

A form of manipulation whereby a pretended or fictitious sale of securities occurred between two conspiring exchange members, or speculators acting through brokers. The sale was executed at a price higher than the prevailing market and the inflated quotation appeared upon the ticker, thus creating an impression of activity and strength in the hope of inducing the public to buy at the inflated price. The excess price paid by the buyer was remitted by the seller. Wash sales are prohibited by the rules of stock exchanges, commodity exchanges, the Commodity Exchange Act, the Securities Exchange Act, as well as the Internal Revenue Code in taxation matters.

WASTING ASSETS

Exhaustive assets; assets of companies engaged in the extractive industries which become depleted as they are worked. Thus, mines, quarries, and oil wells, are wasting properties, and their value declines in proportion as the mineral product which they contain is extracted. The decline in value of wasting assets is sometimes offset by making depletion charges against earnings and setting up a depletion reserve with the object of reserving sufficient income to redeem the capital stock at par when the assets have become exhausted.

WATER BONDS

A sub-classification of municipal bonds, the purpose of which is to furnish the municipality with a supply of water. These bonds are of the highest grade investments, since not only are they issued for an essential purpose, but in many cases the water plant of a municipality earns the interest on the water bonds, thereby making it unnecessary for the city to provide such interest out of taxes.

WATER COMPANY BONDS

The water supply industry is one of the oldest among public utilities, but because of increasing public ownership of water supply systems, there are only a relatively few privately owned water supply companies. These private companies in turn have a comparatively small aggregate of bonded debt outstanding, primarily because of the largely local nature of operations, and absence of extra-territorial connections and expansion as in the case of electric power and natural gas companies.

Water company bonds are characterized by limited floating supply caused both by the relatively small amounts outstanding, and the holding of such bonds by institutional investors for investment, particularly the life insurance companies. Although varying in quality, water company bonds deserve a generally favorable investment regard because of the investment characteristics of the industry itself. These include: (1) Essential nature of the service provided; (2) Stability of revenues, there being little industrial load in sales to industrial users, and sales being largely residential; (3) Assurance of growth arising from growth in population of the territory served; (4) Low operating ratio of expenses to revenues, despite a tendency in recent years towards higher costs; (5) Although the ratio of plant and property, and therefore funded debt, to gross revenues is comparatively high, necessitated by the requirement of large capital investment for the business, fixed charges have been reduced in recent years of low money rates by refundings into lower coupon bonds; (6) The water supply industry has been relatively free from pressure for rate reductions or burdensome State regulation; and (7) Satisfactory franchises. (See Public Utility Industry.)

WATER POWER ACT

The Federal Water Power Act, enacted June 10, 1920, created the Federal Power Commission, to coordinate the Federal Government's water power interests, to encourage water power development, and to cooperate with the States in formulating policies regarding the use of water power within their borders.

As originally constituted in the 1920 Act, the Commission consisted of the Secretaries of War, Agriculture, and the Interior, who appointed an executive secretary and also could request the designation of an Army engineer for duty with the Commission. In June, 1930, the Commission was reorganized under Act of Congress, which created a Commission of five members, appointed by the President with the consent of the Senate to replace the Cabinet officers.

The Federal Power Act (Title II of the Public Utility Act of 1935) reenacted, with various amendments, the Federal Water Power Act of 1920 and vested the Commission with definite regulatory powers over the transmission and wholesaling of electric energy in interstate commerce as well as over the public utility companies so engaged. In addition, the Commission was vested ing under this power, the Commission prescribed its Uniform System of Accounts, effective January 1, 1937. System of Accounts, effective January 1, 1937.

Other legislation which has added to the powers and

duties of the Commission are: Natural Gas Act of 1938, as amended, regulating natural gas companies engaged in the transportation and sale of natural gas in interstate commerce, and following the general lines of the Federal Power Act in regard to rates and accounting practices; the Flood Control Acts of 1938, 1939, 1941, 1944, and 1946; the Rivers and Harbors Acts of 1945 and 1946; the Tennessee Valley Authority Act of 1933; the Bonneville Act of 1937; Fort Peck Act of 1938. (See Federal Power Commission.)

WATER POWER COMPANY BONDS

Bonds of hydro-electric power companies, being a sub-classification of public utility bonds. Hydro-electric power plants require large initial investment, and in addition, the building of "stand-by" steam plants for use in periods of low water flow. When the hydro-electric plants are in operation, operating earnings are relatively high as compared with those from operation of steam generating plants, because of the basic advantage in elimination of fuel costs. When rainfall and water flow are low, however, and resort must be had to operation of the steam plants, the operating ratio of such a water power company rises, and operating earnings are lowered. This fluctuating nature of earnings of a water power company results in variable margins of earnings over fixed charges of water power company bonds. (See Public Utility Bonds, Public Utility Industry.)

WATERED CAPITAL

See Watered Stock.

WATERED STOCK

A popular metaphorical expression given to stock, the par value of which is in excess of the value of the net tangible assets which it represents. Watered stock is created in several ways: (1) by issuing stock for money or other property less than its par value; (2) by giving stock away to the promoters or organizers for their services, or to stockholders as a bonus; (3) by an impairment of assets through an operating deficit, and (4) by issuing stock against a fictitious or intangible asset.

The amount of watered stock in a corporation may be determined by the excess of the par value of its stock over its tangible assets. Inasmuch as the assets must be at least equivalent to the stock, the "water" masquerades under the name of some fictitious or intangible asset, e. g., good will, patents, trade marks, and the like, or else by an overvaluation of the tangible assets.

Many companies which were originally organized with watered stock have since squeezed the water out by retention of a part of the earnings and re-investing them in the business. In the case of some enterprises which have been extraordinary profitable, i. e., earning a large per cent. of return upon the capital invested, stock has been watered for the purpose of concealing large profits. This has been accomplished by increasing stock against some intangible asset, usually patents, or good will. In such a case, although the stock is watered, the company cannot be said to be over-capitalized, since over-capitalization presupposes that the corporation cannot pay even a moderate return upon the capital outstanding. (See Overcapitalization.)

WEAK

An expression used to denote that stock or commodity prices have a declining tendency. A weak security or commodity, or a weak market, is one in which prices are lower than for the previous day.

WEALTH

The money value of a person's possessions or rights in personal and real property. The concept of national wealth is essentially different from that of private wealth. National wealth is the aggregate of the wealth of individuals plus social wealth, i. e., the property of the Federal Government and its political subdivisions which include Federal, state, and city public works, buildings, parks, museums, and the like. In computing national wealth care is taken to avoid double accounting, e. g., a railroad property is wealth, but it is represented also by stocks and bonds owned by individuals, which they in turn consider as a part of their wealth. Estimates avoid including both the value of the railroad property and the value of its stocks and bonds in computing national wealth. (See National Wealth.)

WEBB-POMERENE ACT

An act, also known as the Export Trade Act or Webb Act, passed on April 10, 1918. This Act exempted from the prohibitions imposed by the Sherman Anti-Trust Act and the Clayton Act on monopolies and combinations in restraint of trade, such export trade associations as might be formed by exporters for purposes of foreign trade, wherein they came into competition with foreign cartels and monopolies operating free from any restrictions upon quotas, prices, and selling policies.

Sec. 4 of the Act, however, specifically provided that such export trade associations would not be exempt from the prohibition against unfair methods of competition used against competing American exporters, even though such unfair methods were used outside the territorial jurisdiction of the United States, imposed by the Federal Trade Commission Act (approved September 26, 1914). The Federal Trade Commission was vested with the powers of supervision over such foreign trade associations, including registration, filing of reports, and power to make findings and recommendations to the Attorney General of the United States where it finds upon investigation that any acts of foreign trade associations are in restraint of trade within the United States or in restraint of the export trade of any domestic competitors of such foreign trade associations.

(See Federal Trade Commission.)

WELCHER

One who fails to live up to an agreement, which, though not enforceable at law, is a moral obligation, e. g., refusal to accept or deliver an order of goods, or cancellation of an order when the market goes against him.

WHEAT

Although the most important cash grain crop produced in the United States, wheat ranks after corn and oats in quantity of annual output. Whereas, nearly 90 per cent. of all wheat grain in this country is sold for milling purposes, the bulk of corn and oats is consumed as animal feed on the farms. Thus, the latter grains are indirectly marketed as live stock. Until 1930,

wheat was an important agricultural export item, ranking second only to cotton, but in later years, owing to various factors, and chiefly to domestic price support and competition from other wheat-growing countries, exports of wheat became relatively insignificant. Following the end of World War II, United States exports of wheat jumped sharply to about 400 million bushels annually.

The importance of wheat in annual money value to the American farmer is usually overemphasized. Other farm products contribute larger annual gross receipts; for example, live stock, cotton, milk, truck garden produce, and eggs. In fact, wheat in pre-World War II years accounted for not more than 10 per cent., and merely 8 per cent., of total farm income. The prominence of wheat is rather due to its former position in American agriculture and export trade; the breadth of its production, contributing to the farm income in every state; because of its world-wide importance in international commerce; because it is primarily produced for cash sale; because it symbolizes man's most elemental and universal food; and because of its steady flow into consumption through the organized grain exchanges.

Wheat is known as the "luxury" grain and is the most prized cereal for human consumption throughout the world. Except under extraordinary circumstances, it commands a higher price than any other grain. Its closest botanical kinship is with rye and barley, also widely used for human consumption and as a base for spirituous liquors. However, rice ranks after wheat in human use. Smaller quantities of corn, oats, millet and buckwheat also enter into human consumption.

Plant and Growth.—The life of the wheat plant may be divided into three stages: (1) the seedling stage when the young plant lives upon the reserve food supplies provided in the seed; (2) the growing stage when the plant draws from soil and air those materials which are necessary to the production of roots, stems, leaves and head; and (3) the fruiting period when the plant transfers to the fruit or grain certain materials that it has previously accumulated, plus starch which it elaborates during this period.

About thirty days before harvest, the wheat plant flowers and begins the formation of the grain. The first major process includes the production of a sack or envelope which is ultimately to become the bran coat of the grain. Into this sack are loaded the other two major structures of the grain (a) the germ or embryo, and (b) the endosperm or starchy and glutenous food reserves.

Into the pericarp, or fibrous branny sack, the plant proceeds to load protein materials and minerals that have been accumulated and stored in other parts of the plant previous to blossoming. At the same time the green parts of the plant are actually engaged in manufacturing sugars which are transferred to the grain and there are built over largely into starch. Accordingly both protein- and starch-forming materials are flowing into this sack at the same time. Completely formed protein is not built up immediately however; this process is incomplete until the approach of ripeness. About the time that the first tinges of yellow appear on the plant, a curious and interesting change in the process of grain formation occurs. This change in color, accompanied by a fall in moisture content, warns the plant that it must promptly complete its task of developing its fruit. Accordingly, the transport of materials to the grain stops at about the stage when its moisture content falls below forty per cent., and the protein-forming materials present are rapidly built up into gliadin and glutenin which jointly are referred to as "gluten." It is here, in the laboratory of the ripening wheat plant, that the components of flour are laid down.

The completeness with which this gluten formation occurs, together with the ratio or proportion of gluten to starch that then exists, has no small bearing upon the usefulness of this grain for human consumption. These gluten proteins, gliadins and glutenin, are curious substances, and their like is not encountered elsewhere in natural foods. When moistened with water, they exhibit a definite attraction for each other—an attraction that can be explained on a basis of certain electrical properties. The complex which results possesses an ability to stretch and expand without rupturing that is not equalled by other natural plant materials. Its usefulness in the production of leavened wheat bread is too well known to require further elaboration.

Production and consumption.—In the past decade, the world has produced about 5 to 6 billion bushels of wheat annually. Allowing a billion bushels for other purposes, including seed, the main use of the remaining 4 to 5 billion bushels is for conversion into human food. In this process varying proportions up to 30 per cent. may be separated as not desirable human food, and this large residue, in the form of bran and shorts, becomes one of the most valuable feeds for livestock, and particularly for milch cattle. Of the wheat which is not milled nor used for seed, animals, among which poultry probably easily stand first, are the main consumers.

The population of the world is about two billion, and the wheat available for milling would give every man, woman and child about one-half of a barrel of flour per year. In North America human consumption is a little less than one barrel per head per year. In Europe it is a little higher than this, but in the greater part of the rest of the world consumption does not reach a half barrel per head. There is, however, no continent in which wheat is not a prominent item in human diet. Even Asia, which grows most of the rice of the world, produces something like a billion and a quarter bushels of wheat per year and is besides a net importer of wheat and flour, and thus uses approximately a quarter of a barrel per year per head of its vast population.

The production of wheat is widely distributed throughout the temperate zones in both the northern and southern hemipheres. As a result of varying climatic conditions in countries having different latitudes, and due to plant variations (time required to mature) as between species and between Fall-sown and Spring-sown seed, there is a wheat harvest in some country of the world for every month of the year. However, roughly 85 per cent. of the world's wheat is harvested between May and September, since about this proportion of the world's output is grown in the northern hemisphere. In the United States, wheat is harvested in the months of June to August.

Prior to the organization of international trade in wheat, i. e., before 1850, wheat prices, within a given country, fluctuated sharply depending upon the size of domestic crops. Wheat trading was largely confined among the countries of Europe. But with the establishment of international trade and markets, the extremes of price fluctuation have greatly narrowed. The great

advance in agricultural production in the United States, Canada, Argentina and Australia in the closing years of the nineteenth century and in the first years of the present century, definitely marked the inauguration of a new era in the production of high quality wheat at generally lower prices than obtained fifty and one hundred years ago.

While previous to 1914, Russia was a leading exporter of wheat, this country has since been practically eliminated from the world grain trade. In the period 1929-1934, world wheat trade became dislocated from the trends of the preceding several decades, owing to several factors: (1) rise of world surplus stocks caused by increased acreages brought into production by the stimulus of war prices; (2) increased production in European countries after the war in an attempt to regain "self-sufficiency," and (3) curtailed world consumption as a result of the world-wide depression.

In pre-World War II years, the chief surplus, or wheat-exporting nations, were Canada, Argentina, Australia, and the Danubian Basin countries. While Europe still constitutes the chief importing group of nations, quantities taken were considerably less than during the eighty years ended with 1930. Japan and China are also important importers of wheat.

Annual production of wheat in the United States during the twentieth century, until 1933, was never less than 500,000,000 bushels, reaching as high as 1,000,000,000 bushels in one year—1915. The average for this period was about 750,000,000 bushels. In view of burdensome world surpluses built up from 1929 to 1932, resulting in extremely low prices, the United States inaugurated a crop restriction program, under the Agricultural Adjustment Act (q.v.) in 1933, the effect of which was to curtail output, increase the domestic price, but practically to eliminate the United States as an exporter. Under the stimulus of post-World War II demand, however, wheat production in the United States reached 1,072 million bushels for the 1944-1945 crop year, and increased this billion bushel crop to 1,108 million bushels for 1945-1946; 1,153 million bushels for 1946-1947; and 1,365 million bushels for the 1947-1948 crop year. Wheat exports expanded to 403.7 million bushels for 1946-1947 crop year, and 396.3 million bushels for 1947-1948.

The Wheat Calendar.—Herewith follows a monthly synopsis of statistical and other factors that are determinants of price movements:

July

July 1 is usually regarded in this country as the beginning of the crop season. About the eighth the government issues a forecast of the winter wheat crop and the spring wheat crop and the stocks of last year's crop remaining on farms and in interior mills and elevators. These stocks together with the "visible" statement are usually considered the "carryover." By July the production of winter wheat is estimated with fair accuracy and its size discounted in the market. When the carryover is very small the earliness or lateness of harvest is an important factor on current prices. In the cash market June-July is the transition period from one crop season to another—sometimes from one season of small supplies to a new season of expected large supplies, causing sharp declines in prices. Crop news dominates the market (probable yields of winter wheat and condition of spring wheat). Condition of European crop becomes more definite.

August

By this time the winter wheat crop in the United States is fairly well known. The prospects of spring wheat in the United States and Canada become the dominating influence. The movement of new wheat to primary markets swells the visible, supply increases and export movement takes on importance. As these are relatively large or small, they have an effect upon prices.

September

The size of the United States crop and much of the European crop is now fairly determined, but the Canadian crop is sometimes uncertain and its progress is watched closely. August-September is the period of heavy export movement from this country and is usually an index of foreign demand. The question of acreage in the southern hemisphere begins to be of some interest.

October

Crop news is now largely a matter of history and the rate of marketing becomes an important factor, although uncertainty sometimes still exists as to the outturn of the Canadian crop. Exports from Canada begin in large volume. Estimates of probable surplus of exporting countries are made by international wheat statisticians and their estimates have an influence on the price.

November

Crop prospects in the southern hemisphere and the rate of movement in the northern hemisphere are the dominating influences. At this time world export movements is usually at its maximum, being large from both the United States and Canada. Competition is sometimes keen between domestic millers and exporters.

December

The out-turn of the crop in the southern hemisphere takes definite shape (usually about 10 to 15 per cent. of the world's production, but about 30 per cent. of the world's exports). The visible in the United States usually reaches its maximum in the month, and its change is closely watched. Crop movement rather than crop estimates, except from Argentina and Australia, is the dominating influence. In this month the report is made on winter wheat plantings, and the condition on December 1 indicates the state in which wheat enters the winter period.

January

Beginning of the heavy movement of Argentina's new crop which competes with exports from this country. Visible stocks have reached their maximum, and the weekly decrease is an important factor. Almost two-thirds of our season's exports are usually moved out of the country before January 1; if they continue relatively heavy, suggesting a drain on the surplus, they have an upward influence on prices; if surplus is regarded as large and exports lag, they have a sagging influence. Crop reports are usually a very small factor, unless winter wheat is bare of snow and intense freeze occurs.

February

In this month rate of reduction of the visible is an important influence, also the primary receipt and shipments which affect the trend of the visible. Severe weather sometimes checks the movement of wheat to

market. The rate at which commercial supplies are absorbed into consumptive channels is an important factor. Little attention is given to crop conditions unless hard alternate freezing and thawing in the winter wheat belt, when no snow covers it, threatens the plant.

March

This is the month when consideration is given to the question of balance between supplies and distribution. About the eighth of the month the government estimates the supplies of wheat remaining on farms March 1, also the supplies in country mills and elevators. These added to the visible statistics (which are published weekly), indicate approximately the amount of wheat stock, and indicate how supplies are holding out. Large supplies tend to depress prices and small supplies to advance prices. Crop scares of winter killing become important in this month and continue into April.

April

Condition of winter wheat begins to be an important factor. The first government report of winter wheat conditions is issued about April 8. If there is a close balance between estimated supply and requirements, world export movement, as well as domestic movement is watched closely, also the rate of decrease of visible supplies.

May

In the speculative wheat market this is probably the most important month of the year. There is more trading in May futures than any other delivery, because it represents the practical close of the old crop season. If there has been any error in the estimate of supplies and consumption has been excessive in relation to supplies, sharp advances occur. Practically all historical "corners" occurred in May delivery. On the other hand, if too much has been held over, prices are likely to sag, especially if prospects of growing winter wheat be favorable. The government report issued about May 8 is important in that it gives the amount of winter wheat acreage to be harvested (in contrast to the December estimate of plantings, the difference being the abandonment caused by winter killing); and also the first quantitative forecast of winter wheat production. Private estimates begin as to the probable acreage of spring wheat.

June

In this month estimates of spring wheat, as well as winter wheat, become an important influence. Weather influences on the growing crop have a dominant effect. Early forecasts of European crops begin to influence the market.

Markets.—Wheat enjoys a world market. The principal market in the United States is in Chicago (Chicago Board of Trade), with lesser markets, i. e., organized grain exchanges at Kansas City, Minneapolis, and other cities. Winnipeg is the principal market in Canada.

Liverpool is the principal market in England and of the world, and acts as a distributing center for Europe, best reflecting the world competitive price. The contract unit is 8000 bushels, or 1000 quarters, and the basic grades are American Hard Winter, Soft Winter, and Spring Wheat; Manitoba Spring Wheat; Argentine Wheat, and Australian Wheat.

At Buenos Aires, the contract unit is 200 metric tons (7354 bushels). Quotations are in paper pesos, and hundredths thereof per 100 kilos. At Rotterdam, the contract unit is 100 metric tons, (3677 bushels).

Government reports give intentions to plant, abandoned acreage, crop conditions, indicated yields, and actual output. The following factors influence prices; acreage, weather, pests, farm labor supply, surplus (carry-over), foreign crops, and sentiment.

Statistics.—Following table shows the production and farm price of wheat by years from 1897:

PRODUCTION OF WHEAT IN THE UNITED STATES

Year.	Bushel.	Average Farm Price per bushel
1897	530,149,000	.....
1898	675,148,000	.....
1899	547,303,000	.....
1900	522,229,000	.....
1901	748,460,000	62.4¢
1902	670,063,000	63.0¢
1903	637,821,000	69.5¢
1904	552,399,000	92.4¢
1905	692,979,000	74.8¢
1906	735,260,000	66.7¢
1907	634,087,000	87.4¢
1908	664,872,000	92.8¢
1909	737,189,000	98.6¢
1910	695,433,000	88.3¢
1911	621,338,000	87.4¢
1912	730,267,000	76.0¢
1913	763,380,000	79.9¢
1914	897,017,000	98.6¢
1915	1,025,801,000	91.9¢
1916	636,318,000	160.3¢
1917	636,655,000	200.8¢
1918	921,438,000	204.2¢
1919	952,097,000	216.3¢
1920	843,277,000	182.6¢
1921	818,964,000	103.0¢
1922	846,649,000	96.6¢
1923	758,482,000	92.6¢
1924	840,091,000	124.7¢
1925	669,142,000	143.7¢
1926	833,544,000	121.7¢
1927	874,733,000	119.0¢
1928	912,961,000	99.8¢
1929	822,180,000	103.4¢
1930	889,702,000	67.0¢
1931	932,221,000	39.0¢
1932	744,076,000	37.9¢
1933	529,000,000	73.1¢
1934	496,900,000	84.7¢
1935	628,227,000	83.2¢
1936	629,880,000	102.5¢
1937	873,914,000	96.2¢
1938	919,913,000	56.2¢
1939	741,180,000	69.1¢
1940	813,305,000	68.2¢
1941	943,127,000	94.5¢
1942	974,176,000	109.8¢
1943	841,023,000	136.0¢
1944	1,072,177,000	141.0¢
1945	1,108,224,000	141.0¢
1946	1,153,046,000	150.0¢
1947	1,364,919,000	191.0¢

Source--U. S. Department of Agriculture.

(See Chicago Board of Trade, Crop Reports, Grades (Grading), Winnipeg Grain Exchange.)

WHEAT PIT
See Pit.

WHEN, AS, AND IF ISSUED
See When Issued.

WHEN ISSUED
The method of trading in listed or unlisted securities whose issue has not been finally approved, or for which certificates or forms have not been issued or are not ready for delivery, and therefore in which execution of contracts is contingent upon such issue. Bids and offers in securities admitted to dealings on the New York Stock Exchange on a "when issued" or "when distributed" basis shall be made only on that basis, for delivery when issued or when distributed as determined by the Exchange. However, written contracts in forms approved by the Exchange must be exchanged not later than the business day following the transaction, and signatures to such contracts shall be affixed by a partner of the contracting firm.

Rule X-12D3 of the Securities and Exchange Commission, issued under the Securities Exchange Act of 1934, defines the requirements under which unissued warrants and unissued securities other than warrants may be registered for "when issued" trading on a national securities exchange. The requirement of the Securities Act of 1933 that a registration statement be in effect, if required, is incorporated in this regulation. Formal and official announcement by the issuer of plan or reorganization, exchange, subscription rights, etc. is also a requirement for registration for "when issued" trading on a national securities exchange. Included among types of "when issued" trading are exchanges or distributions resulting from the "break-up" of public utility holding companies under Sec. 11 of the Public Utility Act of 1935; securities issued under reorganizations pursuant to Chapter X of the National Bankruptcy Act; and railroad securities issued pursuant to Chapter VIII of the Bankruptcy Act (the former Sec. 77).

WHIPSAWED
An expression used among speculators to denote a double loss realized as the result of buying at the top of a movement and then when prices have reached the bottom, not only selling long stocks, but also selling a line of short stocks, which because of a subsequent upward turn in the market, are covered at a loss. As stated by one writer, being whipsawed consists of "buying in the hope of a rise, but selling instead on a fall, then selling more, expecting a further fall, but being compelled to buy because the market goes up instead of down," i. e., getting "caught, coming and going."

WHITE ELEPHANT
An expression figuratively applied to any property which cannot be operated at a profit because the cost of operation would exceed the gross revenue, out of analogy to the white elephant, which eats more than its services are worth. Any business into which considerable capital has been invested, and which because of changes in fashion, or in the popular taste, or because of obsolescence, or other reason, cannot be profitably operated, and which could be sold only at a terrific loss, e. g., a large hotel located at a once fashonable summer resort no longer popular.

WIDE OPENING
An expression used to denote that opening prices for the same stock in an active market are wide apart.

WIDE PRICES
An expression used to apply to the condition when bid and asked prices are not fractionally or at least normally close. Ordinarily the bid and asked prices for an active security are from 1/8 to 3/4 of a point apart, and when they are several points apart, e. g., bid 10, asked 13 1/2, they are said to be wide.

WIDOW'S EXEMPTION
A continuance for the benefit of a widow of a deceased debtor, of the immunity or privilege allowed by law to a debtor during his lifetime, to hold a certain amount of property free from levy or seizure in payment of his debts. The following is a legal definition: A widow's exemption is a continuation for the benefit of the wife of a deceased debtor of the immunity, privilege and freedom from any charge or burden allowed by law to a debtor during his lifetime to hold property up to a certain amount, or certain classes of property free from all liability to levy and sale, on execution, attachment, or other legal process issued for the satisfaction of a money-judgment.

WILD CAT BANKS
A derisive name given to banks organized under the laws of the various states in the chaotic, uncontrolled and unsound banking period between the years 1811 and 1863. These banks were permitted to issue bank notes against personal notes, or bonds and mortgages of resident land owners, and in many cases were organized solely for the purpose of issuing paper money rather than carrying on a deposit and loan business. In Michigan, "many of these institutions were located in the depths of forests where there were few human habitations, but plenty of wild cats." They were purposely inaccessible to prevent redemption of their practically worthless notes. Bank failures were numerous and since the security behind these notes was inadequate and illiquid, the banks were unable to redeem them, thus resulting in large losses to the holders. There were approximately 1,600 different kinds of bank notes in circulation when the National Bank Act, in 1863, put an end to the note issues of state banks.

WILD CAT COMPANY
An expression applied to an unsound or highly speculative business venture in which the chance of success is slight, particularly a company organized to develop oil wells on leased lands before it is known positively that oil exists.

WILD CAT CURRENCY
Notes issued by the wild cat banks before the period of sound banking in the United States. (See Wild Cat Banks.) By extension this term refers to any depreciated or worthless money.

WILD CAT SECURITIES
Highly speculative, fraudulent, or worthless securi-

ties; securities of companies organized to exploit an unsound, fanciful or hazardous venture, but upon which the promoters promise large profits; securities of companies which represent nothing but "capitalized hopes." (See Wild Cat Company.)

WILL

A formal written testament or final disposition of property, to take effect after death, made by a person of sound and disposing mind, known as a testator. All persons are competent to make a will, except idiots, infants and persons of unsound mind. In some States, "testaments" of personal property may be made at an earlier age than "wills" of real property, but most States today make no distinction between wills and testaments as to the age at which each can be made.

Generally, laws of most states require that a will be in writing (although various States allow nuncupative or oral wills under specified conditions), signed by the testator, or by some person in his presence and by his direction, and attested by witnesses, who must subscribe their names thereto in the presence of the testator. Most states require two witnesses, except a few which require three. Three witnesses are desirable even though only two are required.

Although the form or wording of a will is immaterial, as long as its intent is clear, and only the subscription by the testator and signatures of the witnesses are absolute requisites, it is advisable to obtain competent legal advice when drawing and executing a will. Many things may render a will invalid such as failure to sign it in the proper place or an insufficient number of witnesses. Erasures, interlineations, or other changes made at a later date than the will itself may not be valid. Unclear language or contradictory provisions may also defeat the testator's intent, particularly in the intricacies of specific legacies, demonstrative legacies, general legacies, and the residuary clause. Codicils may be written to supplement the matter contained in the will, but the same formalities must be observed. The laws governing the execution of wills differ in various states. It is unsafe for a layman to draw a will without consulting a lawyer. Even in cases where the property is small or where the disposition thereof appears not to be a complicated matter, competent legal counsel is essential both to avoid possible litigation (expense of which might be charged to the estate) and to insure carrying out the precise intentions of the testator.

In addition to allowing nuncupative or oral wills, most States also allow holographic wills, those written entirely in the handwriting of the testator. In New York State, nuncupative wills are permitted only in the case of soldiers on active military duty, sailors at sea, and merchant seamen on the high seas, and must be made in the hearing of two persons and proved by at least two witnesses. New York allows a holographic will when written entirely in the handwriting of the testator even though the same be unattested.

There are a number of advantages in making a will over leaving an intestate estate:

1. The testator (one who makes a will) can designate to whom the property shall be left, and in the proportion he desires. He can designate relatives, friends, employees, or charitable institutions as legatees—more to some and less to others. (In New York, neither spouse may devise or bequeath more than one-half of the net estate to a charity or for a charitable purpose where a husband, wife, child, descendant, or parent survives.) Without a will, the property will be distributed according to the laws of descent in the state in which the testator was a resident. These laws operate rigidly. In New York, where dower and curtesy were abolished August 31, 1930, a personal right of election was given to a surviving spouse to take the same share as in intestacy despite a will made by the deceased spouse.

2. The testator can name his own executor and stipulate that he be not required to give bond. Otherwise, the court will appoint an administrator. An administrator is required to give bond and the premium will be charged to the estate. The heirs will be involved in the intricacies of court procedure, and their inheritance may become the prey of inexperience or unscrupulous persons. Thus, by a will, the property is likely to be more economically and expeditiously distributed.

3. The testator can set up a testamentary trust. In this way, all or a part of the property may be conserved, and the income distributed to the persons designated in accordance with their needs, and the principal distributed at some future date. Without a will, the principal of the estate is divided by law, and every beneficiary, if or when of age, will come into absolute control of his or her estate, without regard to personal ability to take care of it. Only by a will, can a life income be provided.

4. Real estate can be sold more readily. A testator can empower the executor to sell his real estate. Without a will, in some States the property can be sold only if all the heirs agree, or by means of a lengthy and expensive suit in partition. (In New York, the administrator of a decedent dying after August 31, 1930 may sell, mortgage or lease real property under the same conditions requiring petition, hearings, and order by the Surrogate as for executors.) (See Codicil, Descent, Laws of, Executor, Trusts, Voluntary Trust.)

For illustrative purposes, the carefully drawn wills of two wealthy men, George F. Baker and Robert W. de Forest, both of which contain supplementary codicils, are reproduced herewith:

Will of George F. Baker.—I, GEORGE F. BAKER, of the City of New York, do hereby make, publish and declare this my Last Will and Testament:

ARTICLE FIRST—Section 1. I give and bequest unto my daughter, Evelyn B. St. George, the sum of $5,000,000.

Section 2. I give and bequeath unto my daughter, Florence B. Loew, the sum of $5,000,000.

Section 3. The above legacies to my daughters are in addition to provisions which I have made in my lifetime for them and their children.

ARTICLE SECOND—I give and bequeath unto my son, George F. Baker, Junior, and unto my daughter, Evelyn B. St. George, and unto my daughter, Florence B. Loew, respectively, such of the furniture, furnishings, pictures, carpets, rugs, silverware, china, glass and other chattels usually contained in the dwelling house upon my country place in Tuxedo, New York, as my said son, George F. Baker, Junior, shall by a writing signed by him and filed with my executor, within six months after my death, determine to be desired by him or his sisters respectively.

ARTICLE THIRD—I give, devise and bequeath unto my granddaughter, Florence J. Loew, and her heirs forever, my country place at Tuxedo, New York, together with

all buildings and improvements thereon and all appurtenances and all the furniture, both useful and ornamental, pictures, bric-a-brac, farming and garden tools and equipment, horses, wagons, automobiles, harness and articles of stable and garage equipment, and other chattels which at the time of my death shall be in or upon my said country place or ordinarily used in connection therewith, excepting only such of the articles above enumerated as are in and by the last preceding article of this will otherwise disposed of.

ARTICLE FOURTH—I give and bequeath the following legacies:

(a) To the New York Public Library, Astor, Lenox and Tilden Foundations, a corporation, the sum of $250,000.

(b) To the New York Exchange for Women's Work, a corporation, the sum of $25,000.

(c) To the Tuxedo Memorial Hospital, a corporation, the sum of $25,000.

In the event that I shall hereafter in my lifetime make any gift or gifts to any of the institutions or corporations to which I have bequeathed legacies in and by this fourth article of my will, such gift or gifts to any such institution or corporation shall be deemed to be in payment of, or on account of, the legacy so bequeathed to it in and by this article, and such gift or gifts shall operate to the extent thereof as in ademption or satisfaction of any such legacy.

If, in any case, I have committed myself during my lifetime to make certain gifts to one or more of such institutions or corporations, it is my will that the legacy herein given to any such institution or corporation shall be taken in full satisfaction and discharge of all such commitments.

ARTICLE FIFTH—In memory of my father, George E. Baker, and my mother, Eveline S. Baker, I give and bequeath unto the Protestant Episcopal Cathedral Foundation of the District of Columbia, the sum of $250,000. It is my wish that this legacy shall be devoted to the erection of an addition to the Washington Cathedral which will serve as a memorial to my father and mother.

ARTICLE SIXTH—I give and bequeath unto Frank Rysavy the sum of $25,000.

ARTICLE SEVENTH—In recognition of faithful service, I give and bequeath the following legacies:

(a) To Helen E. Reddy the sum of $10,000.

(b) To Claire Chaplin the sum of $10,000.

(c) To Michael Birish the sum of $15,000, but if he shall die before me leaving a widow me surviving, such widow shall take the legacy her husband would have taken had he survived me.

(d) To Mary Monahan the sum of $5,000.

(e) To William Ellings and his wife jointly the sum of $10,000, but if either of them shall die before me the survivor shall take the whole of this legacy.

(f) To Adla Backman the sum of $6,000.

(g) To Louise Holdtman the sum of $4,000.

(h) To Cecilia Fitzgerald the sum of $1,000.

(i) To Sophie McEnnis the sum of $2,000.

(j) To Catherine McDonnell the sum of $3,000.

(k) To Frank Healy the sum of $2,000.

(l) To John Rivoire the sum of $2,500.

ARTICLE EIGHTH—All the rest, residue and remainder of my property and estate, real and personal, of whatsoever nature and wheresoever situated and whether acquired before or after the execution of this will, I give, devise and bequeath unto my son, George F. Baker, Jr., and his heirs forever.

ARTICLE NINTH—I direct that all transfer, legacy or inheritance taxes, or estate duties, or other taxes in the general nature thereof, which may become payable by reason of my death, shall be paid out of the capital of my residuary estate.

ARTICLE TENTH—I hereby appoint my said son, George F. Baker, Jr., to be the executor of this my will. I authorize my said executor in his discretion to sell and convey at public or private sale, for cash or upon credit, or partly for cash and partly upon credit, and upon such terms and conditions as he shall deem proper, any property, real or personal, belonging to my estate and not hereby specifically devised or bequeathed, and to borrow any moneys for any purposes which he may deem necessary or convenient in the administration of my estate and to secure such loans by the pledge or hypothecation of any securities belonging to my estate and no person making any such loan or loans to my executor shall be bound to inquire into the expediency or propriety thereof or to see to the application of the proceeds thereof, and the judgment of my executor as to the necessity or propriety of any such loan shall be final and conclusive upon all persons interested in my estate.

In the event that my said son shall die, or fail to qualify or resign as executor of this my will, I hereby appoint The First National Bank of the City of New York to be the executor thereof, with all the same powers, discretionary or otherwise, as are herein conferred upon my said son as executor.

I direct that no bond or other security shall ever be required of any executor hereby appointed by reason of non-residence in any jurisdiction in which this will may be proved, or for any other cause whatsoever.

Last—I revoke all former wills by me at any time made.

In witness whereof I have hereunto set my hand and seal this 21st day of May in the year 1930.

GEORGE F. BAKER.

Signed, sealed, published and declared by George F. Baker, the testator above named, as and for his last will and testament, in our presence, and we, at his request, in his presence of each other, have hereunto subscribed our names as witnesses this 21st day of May, 1930.

LEWIS CASS LEDYARD, 27 East Seventy-second Street, New York City.

JACKSON E. REYNOLDS, 33 Beekman Place, New York City.

SAMUEL A. WELLDON, 28 East Thirty-sixth Street, New York City.

The Codicil

I, George F. Baker, of the city of New York, having heretofore and on the 21st day of May, in the year 1930, duly made, published and declared my last will and testament bearing date that day, do now make, publish and declare this codicil thereto:

FIRST—Whereas and by sub-division (k) of the seventh article of my said will I gave and bequeathed to Frank Healy the sum of $2,000, and whereas since the making of my said will the said Frank Healy has left my service; now I do hereby wholly revoke the said legacy to him given in said sub-division (k) of the seventh article of my said will.

LASTLY—Except as modified by this codicil, I do

hereby in all things ratify, confirm and republish my said last will and testament.

In witness whereof I have hereunto set my hand and seal this 14th day of April, in the year 1931.

GEORGE F. BAKER.

Signed, sealed, published and declared by George F. Baker, the testator above named, as and for a codicil to his last will and testament, in our presence, and we, at his request, in his presence and in the presence of each other, have hereunto subscribed our names as witnesses on the day and year last above written.

LEWIS CASS LEDYARD, 27 East Seventy-second St., New York City.

JACKSON E. REYNOKDS, 33 Beekman Place, New York City.

WALTER S. GIFFORD, 111 East Seventieth Street, New York City.

Will of Robert W. deForest.—I deem in inappropriate in a will, which only concerns the disposition of property and is necessarily made public, to give any expression of my beliefs or affections. These are inherently private. I therefore confine the provisions of my will to its legal purposes.

FIRST. I give to The Metropolitan Museum of Art and to The Charity Organization Society of the City of New York, that is to each, the sum of Fifty Thousand dollars ($50,000). In so far as I may have given Ten thousand dollars ($10,000) at any one time subsequent to the date of this will to either of these institutions, such gifts shall be deemed advancements on account of the above legacies.

SECOND. I give to my children me surviving the sum of Five thousand dollars ($5,000) for each one of my grandchildren me surviving, making a total sum of Five thousand dollars multiplied by the number of my grandchildren so surviving. I rely on my children to apply this gift so that each of my grandchildren shall remember me, but this reliance shall not affect the absolute quality of my gift to my children.

THIRD. If my wife survive me, I give:—

(1) to each of my children me surviving the sum of Two hundred and fifty thousand dollars ($250,000).

To whatever extent I may have given to any of my children since January 1, 1923, the sum of not less than Twenty thousand dollars ($20,000), either in money or in securities of that market value, such gift shall be an advancement on account of the legacy given to such child.

I devise to my son Johnston, as part of his legacy above mentioned, any or all of the real estate owned by me in Suffolk and Nassau counties, Long Island, at the time of my death, other than Wawapek Farm as hereinafter described, provided he elect within six months after probate of my will to take the same, or any part thereof designated by him, at the assessed valuations thereof as the same appear on the tax bills last paid before my death. He has been associated with me in the purchase of this property, he has been interested in its use and development, and I wish to give him this opportunity if he cares to avail of it.

(2) I give to my wife, Emily Johnston de Forest, all my personal effects other than money or securities.

I also give to her the sum of two hundred and fifty thousand dollars ($250,000).

There are friends whom I wish to remember. There are those who have been in my employ for many years whom I also wish to remember. There are public purposes to which I have given in my lifetime to which I may wish to give more. I expect to indicate to my wife in some form my desires in these and possible other particulars, and I rely on her to carry out any expressed intentions of mine, but this gift to her is not qualified in any respect by this reliance upon her, and is absolute.

(3) All the rest, residue and remainder of my estate, real and personal, wheresoever and whatsoever, I give to my executors named in my will, in trust, to hold the same and any reinvestments thereof during the life of my said wife, to apply the income thereof during the life of my said wife to her use semi-annually, or oftener if practicable, and upon her death to divide the same equally among her and my children then surviving and the lawful issue of any children who have died before her, such issue to take its parent's share. Except, however, that as respect any part of my estate given to any grandchild who may not be of lawful age, it shall be held in trust for such grandchild as provided by (a) of the Fourth Article of my will.

FOURTH. If my wife die before me I give:

1. To my children me surviving all my personal effects other than money and securities (except those hereinafter specifically bequeathed), to be divided equally between them.

2. All the rest, residue and remainder of my estate, real and personal, wheresoever and whatsoever (except that hereinafter specifically given otherwise), I give, in equal shares, to my children me surviving, and the issue of any who may have predeceased me, such issue to take their parents' share and to divide it equally between them.

(a) Except that as respects any part of my said gift given to any grandchild who may not be of lawful age, part of my said gift to any grandchild who may not be of lawful age I direct that it be held in trust for such grandchild until he or she attains lawful age; that so much of the income thereof as may in the opinion of my executors and trustees be necessary for the education and maintenance of such grandchild be applied for it semi-annually, or oftener if practicable, and that when such grandchild attains majority the principal thereof he paid over to it. Should any grandchild die before attaining majority such principal shall be paid over in equal parts to its brothers or sisters, as the case may be, or if there be no brothers and sisters, then to my next of kin in the proportions provided by law; and

(b) Except also that I give to my eldest son me surviving my country-place known as Wawapek Farm, at Cold Spring Harbor, Long Island, intending by this description to include all the land owned by me within the election district of Cold Spring Harbor, together with all the furniture, equipment and other personal property there situated at the time of my death, and used or intended to be used in connection therewith, it being my expectation and desire that such son will maintain this family country home, with which all my children have many associations in common, so far as practicable as a permanent family home, in which my other children can share so far as my said eldest son deems expedient, but the expression of this expectation and desire is not intended to limit in any sense the absolute quality of

this gift, or to impose any moral obligation on my said son; and

(c) Except also that I devise to my son, Johnston, as part of his share in my estate, any or all of the real estate owned by me in Suffolk and Nassau counties, Long Island, at the time of my death, other than Wawapek Farm as above described, provided he elect within six months after probate of my will to take the same, or any part thereof to be designated by him, at the assessed valuation thereof as the same appear on the tax bills last paid before my death. He has been associated with me in the purchase of this property, he has been interested in its use and development, and I wish to give him this opportunity if he cares to avail of it.

(d) As I have said in that part of my will which will be effective if my wife survives me, I wish to remember some friends, some who have been in my employment and possibly some public purposes in which I am interested, and I expect to indicate in some form my desires in these and possibly other particulars. I rely on my children to carry out any of my expressed intentions, but my gift to my children is not qualified in any respect by this reliance upon them and is absolute.

FIFTH. I appoint my wife, Emily J.de Forest, my brother, Henry W. de Forest, and my two sons, Johnston and Henry L. de Forest, executrix and executors of and trustees under this my will.

I authorize and empower my said executors and trustees to compromise and settle any claims against my estate in their discretion; to sell, convey and transfer any real or personal property of which I may die possessed, or to which I may die entitled, at such time and in such manner, and upon such terms, as in their discretion shall seem most advantageous to my estate; to hold as part of the trust funds to be held by them under this will any property or securities of which I die possessed; to reinvest, in their discretion, the proceeds of any property held in trust by them as part of said trust funds and sold by them, in any other property or securities selected by them for this purpose, and to execute and deliver any instruments of conveyance and transfer, and do all other acts, and take all other proceedings in relation to such sale, conveyance, transfer and reinvestment, as may, in their judgment, be requisite and proper.

I further authorize and empower my said executors and trustees to lease any real estate of which I may die possessed, or in which any of my estate given in trust may be invested pursuant to the powers of this will, for terms not exceeding twenty-one years, with renewals, and with such covenants for improvements as they may deem expedient, and also to improve any such real estate out of the proceeds of my personal estate.

I further authorize and empower my said executors and trustees to value, for the purpose of constituting the said trust funds, and also for the purpose of division, any of the property of which I may die possessed, their valuations to be final and conclusive, and to distribute any property to such trust funds, and to all persons entitled to share in my estate at such valuations, with like effect in all respects as if it were sold at such valuations and the proceeds thereof distributed in money.

I further authorize and empower such of my executors and trustees as may quality, to appoint, under their hand and seal, with the consent of the beneficiary of any trust, if of age and without such consent if the beneficiary be not of age, a successor trustee or trustees in the place of any who may not quality, or who, having qualified, may die or resign, or otherwise be incapacitated from performing the duties of trustee. This power to be exercised by successor trustees with like effect as if they had been originally appointed.

I direct that my executors and trustees, and my successors so appointed, be not required to give bonds.

LASTLY. I revoke all other wills and codicils to wills, by me at any time heretofore made.

IN WITNESS WHEREOF I ROBERT W. DE FOREST, have hereunto set my hand and seal at New York, this 5th day of February, in the year one thousand nine hundred and twenty-six.

ROBERT W. DE FOREST (Seal).

Signed, Sealed, Published and Declared by ROBERT W. DE FOREST, the Testator, as and for his Last Will and Testament, in the sight and presence of us, who in his and each other's sight and presence, and at his request, have hereunto subscribed our names as witnesses thereto, this 5th day of February, A. D., 1926.

ROBERT D. ELDER, Short Hills, N. J.
WILLIAM McBRIEN, 10419-116th St., Richmond Hill, N. Y.
OLIVE M. CLEARWATER, 36 Raymond Ave., Rutherford, N. J.

A CODICIL to the Will of ROBERT W. de FOREST, Dated February 5, 1926.

FIRST. By the third article of my Will, effective if my wife survive me, and by clause (3) of said article, I give a life estate in the rest, residue and remainder of my estate to my wife and provide that upon her death this property is to be divided equally among her and my children then surviving, and the lawful issue of any children who have died before her, such issue to take its parent's share. I except from my property so to be divided equally among her and my children upon her death, my country place known as Wawapek Farm, at Cold Spring Harbor, Long Island, intending by this description to include all the land owned by me within the election district of Cold Spring Harbor, together with all the furniture, equipment and other personal property there situated at the time of her death, and used or intended to be used in connection therewith, and I give and devise the same to my eldest son then surviving. It is only all the rest, residue and remainder of my property with the above exception which is to be divided equally among my children then surviving and the lawful issue of any children who may have died before her, such issue to take its parent's share.

SECOND. I give the following legacies:

(1) To the American Federation of Arts the sum of ten thousand dollars ($10,000).

(2) To my wife my share of the Jekyl Island Club and the Jekyl Island Annex Association, together with all my property on Jekyl Island, real and personal. Also eighteen shares of the stock of the Adirondack Mountain Reserve and all my rights as lessee or otherwise in the camp and camp sites on the easterly side of the Upper Ausable Lake appurtenant to such stock.

(3) To my son, Henry L. de Forest, nine shares of the said stock and the camp site appurtenant thereto known as the Trumbull Camp.

(4) To my son, Johnston de Forest, my share in the Cascapedia Club, and all my fishing equipment.

(5) To my faithful and trusted secretary, William McBrien, the sum of thirty thousand dollars ($30,000).

(6) To Elizabeth E. Castello, an annuity of six thousand dollars ($6,000) a year, payable quarterly from the date of my death. This may be paid out of the income from securities to be set aside by my executors for this purpose, or by the purchase of an annuity for her in the Metropolitan Life Insurance Company, or any other company preferred by her.

(7) I revoke the appointment of my brother, Henry W. de Forest, as one of my executors and trustees under the fifth clause of my will. I do not wish to impose on him this burden, and I know that my wife and my two sons can always count on his advice and aid without having this burden put upon him in addition to the many others he is carrying.

LASTLY. I revoke all other wills and codicils to wills by me at any time heretofore made, except my will dated February 5, 1926, and this codicil thereto.

IN WITNESS WHEREOF I have hereunto set my hand and seal this 16 day of July, 1928.

ROBERT W. DE FOREST (Seal).

Signed, Sealed, Published and Declared by the Testator above named and for a Codicil to his Will dated February 5, 1926, in our presence, who at his request and in his and each other's presence have signed as witnesses thereto, this 16 day of July, 1928.

Robert Thorne, 863 Park Avenue, New York.
Mary Mitchison, 44 Butler Place, Brooklyn, New York.

A second codicil to the will of Robert W. de Forest.

This will is dated February 5, 1926, and the first codicil is dated July 16, 1928.

I give to my executors, in trust, the sum of fifty thousand dollars ($50,000), to apply the same, principal and interest and any accumulations of interest, to the maintenance and improvement of the Adirondack Mountain Reserve, of which I am now president. My purpose is to preserve the forests, lakes and mountains of the Upper Ausable Valley in their wild and natural condition, under the policy set forth in the present by-laws of the reserve or as these by-laws may be hereafter amended.

To effectuate this purpose I give my said trustees absolute power and discretion in the application of this gift. I do not wish it used for current expenses. I expect these will be met by our members, but I wish to safeguard the reserve against unusual outlay.

If in the opinion of my trustees my purposes cannot be wisely accomplished by this gift, I authorize them to terminate the trust as to any amount then in their hands, either in whole or in part, and distribute the same as part of my residuary estate.

Should any trustee die or become incapacitated, the surviving trustees or trustee may appoint, under hand and seal, a successor, who shall be vested with the same powers as if originally appointed by me.

This trust shall continue, unless sooner terminated, during the lives of my two sons.

My trustees are authorized to use my gift in any way which will, in their opinion, best accomplish my purpose. I suggest that my gift be constituted by fifty thousand dollars of certificates of the Provident Loan Society of New York, of that par value, if at the time of my death I own that amount.

IN WITNESS WHEREOF, I ROBERT W. de FOREST, have hereunto set my hand and seal at New York City, New York, this 9th day of October, in the year one thousand nine hundred and twenty-eight.

ROBERT W. DE FOREST.

Signed, Sealed, Published and Declared by ROBERT W. de FOREST, the Testator, as and for a Second Codicil to his Last Will and Testament dated February 5, 1926, in the sight and presence of us, who in his and each other's sight and presence, and at his request, have hereunto subscribed our names as witnesses thereto, this 9th day of October, A. D., 1928.

Robert Thorne, 863 Park Avenue, New York.
Mary Mitchison, 44 Butler Place, Brooklyn, New York.

A THIRD CODICIL TO THE WILL OF ROBERT W. de FOREST dated February 5, 1926 AND TO THE TWO CODICILS THERETO Dated respectively July 16 and October 9, 1928.

FIRST. I give the following legacies:

(1) To the Metropolitan Museum of Art, One hundred thousand dollars ($100,000), in lieu of the Fifty thousand dollars ($50,000) given to that institution by my will. It is my wish that this be held as a principal sum the income of which shall be applied every year to provide free concerts in the Museum. But the expression of this wish shall create no legal obligation.

(2) To the Charity Organization Society of the City of New York, the sum of One hundred thousand dollars ($100,000), in lieu of the Fifty thousand dollars ($50,000) given to that Society by my will. The fifty thousand dollars I have recently given to the said Society shall be deemed an advancement on account of this legacy of one hundred thousand dollars.

(3) In so far as I may hereafter give to either of the said institutions at any one time twenty-five thousand dollars ($25,000) or more, such gifts shall be deemed advancements on account of these legacies.

(4) To Elizabeth E. Castello, twenty thousand dollars ($20,000), in addition to the annuity given by the codicil to my will dated July 16, 1928.

(5) To Helen Moore, ten thousand dollars ($10,000).

(6) To Mrs. Henry Parkman, twenty thousand dollars ($20,000).

(7) To Margaret N. Hogan, if she shall be in my employ at the time of my death, five thousand dollars ($5,000).

(8) To William McBrien, twenty thousand dollars ($20,000), in addition to the thirty thousand dollars given to him by the codicil to my will dated July 16, 1928.

SECOND. I direct that all estate or inheritance taxes upon the legacies given by this codicil, and my will, and any codicil thereto shall be paid out of my residuary estate, so that my legatees may receive the net amount of their legacies.

THIRD. Any legacies may be paid by my securities, at valuations fixed by my executors, not below market values.

LASTLY. I revoke all other wills and codicils to wills by me at any time made except my will dated February 5, 1926, and the two codicils thereto above mentioned, all of which I confirm.

IN WITNESS WHEREOF I have hereunto set my hand and seal this 26 day of July, 1929.

ROBERT W. de FOREST (Seal).

Signed, Sealed, Published and Declared by the testator above named as and for a Codicil to his Will dated February 5, 1926, in our presence, who at his request and in his and each other's presence have signed as witnesses thereto, this 26 day of July, 1929.

Ernest C. Mansfield, 330 West 85 Street, New York City.
Mrs. Elizabeth Gilway, 7 Washington Square, New York City.

I, ROBERT W. de FOREST, residing at 7 Washington Square, New York City, New York, do hereby make, publish and declare the following as and for a Fourth Codicil to my Last Will and Testament dated February 5, 1926, and the three codicils thereto dated respectively July 16, 1928, October 9, 1928, and July 26, 1929.

FIRST. By the third article of my will, effective if my wife survives me, I give my residuary estate in trust to my executors, to hold and apply the income thereof to my wife and upon her death to divide it equally between her and my children her surviving.

I wish to except from this equal division my country place, known as "Wawapek Farm," at Cold Spring Harbor, Long Island, as described by section (b) of the fourth article of my will, and to give this property as so described to my eldest child her surviving. This as distinguished from dividing it. And I hereby modify my will in this particular.

SECOND. In addition to the powers given my executors by my said last will and testament and the said codicils thereto, and for the purpose of paying any debts of my estate, any taxes thereon or on the transfer thereof and any expenses of administering my estate, I hereby authorize and empower my said executors to borrow such sums of money as they may deem necessary and to pledge or mortgage as collateral security for the repayment thereof any property, real or personal, of which I may die seized or possessed.

THIRD. I increase to the sum of One Hundred Thousand dollars—($100,000), instead of Fifty Thousand dollars, the legacy given to my executors by the second codicil to my will for the maintenance and improvement of the Adirondack Mountain Reserve, with like effect in all respects as if I had named the sum of One Hundred Thousand dollars in that codicil.

FOURTH. I increase the annuity of Six thousand dollars ($6,000), given by the codicil to my will dated July 16, 1928, to Elizabeth E. Castello, to the amount of Ten thousand dollars ($10,000), with like effect in all respects as if I had named said sum of Ten thousand dollars instead of Six thousand dollars in that codicil.

FIFTH. I revoke any codicil to my will heretofore executed except those above named, and confirm my said will and the said three codicils thereto.

IN WITNESS WHEREOF, I have hereunto set my hand and seal this 22d day of May, 1930.

ROBERT W. de FOREST (Seal).

Signed, Sealed, Published and Declared by Robert W. de Forest, the testator, as and for a Fourth Codicil to his Last Will and Testament dated February 5, 1926, in the sight and presence of us, who in his and each other's sight and presence and at his request, have hereunto subscribed our names as witnesses thereto this 22 day of May, 1930.

MARGARET N. HOGAN,
115 Henry Street, Brooklyn, N. Y.
MRS. ELIZABETH GILWAY,
7 Washington Square, N. Y. City.

I, ROBERT W. de FOREST, residing at 7 Washington Square, New York City, New York, do hereby make, publish and declare the following as and for a Fifth Codicil to my Last Will and testament dated February 5, 1926, and the four codicils thereto dated respectively July 16, 1928; October 9, 1928; July 26, 1929, and May, 1930.

I give the following legacies:

(1) To Elizabeth E. Castello thirty thousand dollars ($30,000) in addition to the annuity given by the codicil to my will dated July 16, 1928, making my gift to her in all fifty thousand dollars.

(2) To Margaret N. Hogan, if she be in my employ at the time of my death, five thousand dollars ($5,000) in addition to the five thousand dollars given to her by the third codicil to my will, making my gift to her in all ten thousand dollars.

(3) I revoke any codicils to my will heretofore executed except those named, and confirm my said will and the said four codicils thereto.

In witness whereof, I have hereunto set my hand and seal this 3rd day of November, 1930.

ROBERT W. de FOREST (Seal)

Signed, sealed, published and declared by Robert W. de Forest, the testator, as and for a fifth codicil to his last will and testament, dated February 5, 1926, in the sight and presence of us, who in his and each other's sight and presence and at his request, have hereunto subscribed our names as witnesses thereto this 3rd day of November, 1930.

William McBrien, 10419-116th Street, Richmond Hill, N. Y.

Elizabeth Gallagher, 7 Washington Square, New York City.

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WINDING UP

Liquidation, terminating a business by a voluntary dissolution or bankruptcy, and by sale of the assets, paying the debts, and distributing the balance, if any, to the owners. In modern bankruptcy statutes, the old-time theory of liquidation for the benefit of creditors has been replaced by the modern concepts of reorganizations and arrangements for the relief of debtors. (See Bankruptcy, Liquidation.)

WINDOW DRESSING

An expression applied to the practice of certain com-

panies, of temporarily arranging their affairs in order to make a more favorable showing on the date of their published financial statements than actual conditions warrant. In its application to financial institutions the term has reference to temporarily increasing reserves just prior to a statement date by calling loans or selling securities, ostensibly to make it appear through the published statement that the reported reserve is habitually carried. (See Bank Statement, Comptroller's Call.)

WINNIPEG GRAIN EXCHANGE

The market place for Canada's wheat and other grains and one of the three great futures markets for grain in the world. Originally established in 1887 as the Winnipeg Grain & Produce Exchange, it was incorporated in 1891. Following opening of a grain futures market and a clearing house in 1901, the exchange was reorganized in 1908 as a voluntary, non-incorporated association without articles of incorporation or charter, under its present name, Winnipeg Grain Exchange.

Organization.—As a self-governing institution, founded on the consent of its members, the exchange is governed by a Council consisting of the president of the exchange, two vice-presidents and twelve members, all of whom are elected annually. In addition, there are two elected committees, on Arbitration and on Appeals, and the exchange has a secretary-treasurer and an assistant-secretary. The Council appoints members to ten other committees, who serve for one year.

Any bona fide trader or dealer in grain may become a member. Membership is not exclusive and may be obtained by anyone in any country whose credentials are satisfactory to the members. There are about 460 members, including elevator operators, commission merchants, brokers, shippers, exporters, vessel brokers, millers, representatives of farmer-owned companies, railway officials and bankers. About 360 members are residents of Winnipeg, and the remainder include residents of other countries than Canada. Only members may execute orders on the exchange either for themselves or on a commission basis for others. The offices and trading facilities of the exchange are in the Grain Exchange Building, Lombard Street, Winnipeg, Canada.

Clearings.—All futures trades on the exchange are cleared daily through the Winnipeg Grain & Produce Exchange Clearing Association, commonly called the Clearing House, an organization separate from the Winnipeg Grain Exchange but used by members of the exchange. At the close of each business day, each member gives the Clearing House a statement of all his transactions, from which his net position is determined and settlement is made by a check to or from the Clearing House. In addition to clearing all futures contracts daily, the Clearing House guarantees safe holding and proper delivery of spot grains on sales of futures contracts. However, most sales of cash grain are made through cash grain brokers, who issue duplicate receipts to buyer and seller against which the grain is invoiced and delivered, without clearing through the Clearing House.

Trade Information.—By direct wire and cable, the exchange receives continuously during each trading day grain prices on other leading exchanges, including Chicago, Minneapolis, Duluth, New York, London and Buenos Aires. It also flashes Winnipeg prices to other exchanges. In addition, the exchange collects and makes available statistics on the movement of grains, visible supplies, imports and exports, inspections, and crop conditions, as well as weather reports, both in Canada and in other countries. Therefore, the exchange serves to register both local and world-wide supply and demand factors as they affect grain prices.

Grain Trading.—While sales are made in cash grains in various positions, such as "on track", nearly all cash grain sold in the Winnipeg market is "spot" grain (unloaded in a terminal elevator and available for immediate delivery). All futures contracts on the exchange call for delivery "in store Fort William or Port Arthur", on any trading day of the contract month at the seller's option. Importers, millers and others buying cash grain usually "hedge" their position against price fluctuation, by sale of an equal quantity of futures.

Due to shipping conditions from Fort William and Port Arthur, futures trades are usually made for the months of October, November, December, May and July. The ordinary unit of trading in futures is 5,000 bushels of grain, except flax seed for which the unit is 1,000 bushels.

Various contract grades, and price discounts on lower grades, are fixed each year by the Council of the exchange for wheat, oats, barley, flax seed and rye—the grains traded in on the exchange. During World War II, the wheat futures market became restricted in character, with the United Kingdom becoming the largest buyer of Canadian wheat through the Canadian Wheat Board.

Trading on the exchange is conducted on every week day, the market opening at 9.30 a. m., Central Standard Time and closing at 1.15 p. m., except on Saturday when it closes at noon. From May to September inclusive, the market opens and closes one hour earlier. While trading in futures is not permitted outside of trading hours, buying and selling of cash grain is not restricted by any time limit.

WIPED OUT

An expression used to denote the loss by a speculator of money put up as margin, occasioned by a drop in the value of the securities purchased, and their consequent sale by the broker to protect his loan (customer's debit balance). By extension, this expression also applies to the total loss of one's wealth.

WIRE FATE ITEM

A term given to a check, draft, or note sent for collection from an out-of-town depositor or bank correspondent with instructions to report by telegraph whether or not the item was collected, i. e., paid when presented.

WIRE TRANSFER

See Telegraphic Transfers.

WITH EXCHANGE

When the words "with exchange" or "payable with exchange" are written on a draft or check, exchange charges or collection costs, in addition to the face of the instrument, are payable by the drawee or payer, respectively.

WITH INTEREST

Accrued interest included. A bond or note sold "with interest" must be paid for at the price named, plus interest at a specified rate. (See Accrued Interest.)

WITH PARTICULAR AVERAGE

See Average.

WITHDRAWAL

A taking or drawing out. Commercial deposits are withdrawn by check and savings deposits by presentation of the passbook in which the amount is entered. Although withdrawals of savings deposits are subject to notice of 30 days, such notice is customarily not invoked. (See Checking Account, Savings Accounts.)

Securities or notes may be withdrawn from collateral supporting a loan by substitution of others. (See Collateral.)

WITHOUT INTEREST

Flat; interest not included. (See Flat.)

WITHOUT PAR VALUE

In some states, shares of stock may be issued without a specified par value, but usually may not be sold below a certain minimum price. Such shares are known as "shares without par value," "shares of no par value," or as "unvalued shares." The number of unvalued shares which a certain certificate represents, and the total number of shares authorized must appear on the face of each stock certificate. In this way it is possible to determine the proportionate interest in the net assets of a corporation a given stock certificate represents, e. g., in a corporation organized with 10,000 unvalued shares, a ten share stock certificate would represent 1/1000 interest in the corporation. It is well known by experienced investors that no necessary relationship exists between the par value, book value, and market value of a given stock, which, for example, may have a par value of $100, book value of $60, and a market value of $30. Since, however, a specified par value implies that fully paid equivalent value has been paid in exchange, e. g., a $100 stock certificate implies the existence of $100 in assets (which may or may not be true), doubtless the phrase, "of the par value of $100" deceives many uninitiated persons. By the issuance of unvalued shares, a corporation incidentally avoids such possiblity of misrepresentation of value, but more direct advantages of no par shares are: (1) the power of directors to fix the amount of the consideration paid for no par shares to be set up in capital account and the balance to be set up in surplus account, thus "window dressing" surplus; (2) the flexibility of no par shares in permitting directors to issue such shares for such issuance prices as shall be deemed fair by the directors, instead of being required to issue par value shares at least at par value in order to be fully paid.

The capital stock shown on the books and balance sheet of a corporation with unvalued shares indicates the number of shares authorized, the number issued, the number outstanding, and the stated value set by directors for capital account purposes; and the capital surplus arising from setting the stated value below the amount of consideration paid in for no par value shares. Dividends are paid on the basis of dollars per share.

WITHOUT RECOURSE

In the law of negotiable instruments, an indorsement "Without recourse, signed, A. B. See", is a qualified indorsement, which constitutes the indorser a mere assignor of the title to the instrument (Sec. 38, Uniform Negotiable Instruments Law, Sec. 68, New York Negotiable Instruments Law). Nevertheless, such an indorser makes the limited warranties prescribed by Sec. 65, Uniform Negotiable Instruments Law (Sec. 115, New York Negotiable Instruments Law). An instrument so indorsed may be negotiated by delivery only, in which event the warranties extend in favor of no holder other than the immediate transferee.

WOMEN'S INVESTMENTS

A term sometimes applied to high grade investments in which safety of principal, regularity of income and freedom from care, are present in a high degree, i. e., "defensive" investments which afford steady income with least exposure to capital depreciation. The term arises from the fact that some women investors are primarily interested in safety and income because of their dependence upon their securities for stability and income. It does not follow, however, that all women are such investors, as those who are in the higher tax brackets as the result of personal income, provided either from family sources or independent personal means, are just as interested as other investors in the lower taxability of capital gains under current tax laws, and are not interested in additional income which would raise them higher in the tax brackets. (See Fluctuating Principle.)

WOMEN'S SIGNATURES

In business correspondence unmarried women should give their full signature with the first name written out, instead of initials, to prevent any mistake in identifying the sex, e. g., Mary A. Roe. To indicate that she is unmarried, it is advisable to prefix the word "Miss" in parenthesis.

Since the law does not fix other than the surname of a married woman, she may sign her name in several ways, provided the surname given is that of her husband. When Mary A. Roe becomes Mrs. Doe, she may sign her name as (1) Mary A. Doe, (2) Mary Roe Doe, (3) Mary A. Roe Doe, or (4) Mary Doe.

Whenever a married woman signs papers transferring the title of property, acquired before marriage to another, it is customary and advisable for her to set forth the change in her marital status in the body of the instrument, or on a separate document. (See Good Delivery.)

WOOL

Production of this important textile fiber is worldwide, but the principal commercial producing and exporting countries are Australia, Argentina, New Zealand, Union of South Africa, and Uruguay. Five Southern Hemisphere countries alone produce about 60 per cent. of the world's output, exclusive of Russia. World production in 1947 totaled 3,720 million pounds, compared with high of 4,200 million pounds in 1941, and of this world total, the British Commonwealth nations of Australia, New Zealand, and South Africa have ac-

counted for 40% to 50%. Though the United States normally has produced over 400,000,000 pounds annually, or about 12 per cent. of world output, an additional quantity of from 150,000,000 to 300,000,000 pounds has been normally imported annually to fill consumption requirement, and in recent years, with the decline in United States production to about 300 million pounds annually, and stepped up demand for woolen apparel, its net imports of wool have increased to 600 million to 900 million pounds annually.

Sheep-Raising.—The pastoral, or sheep-raising industry, is one of the oldest in the world, but wool remained domestic in its uses for ages before it became an article of commerce. Biblical records are full of allusions to sheep and shepherds. The Romans are credited with having brought the manufacture of wool to England. For a long time England manufactured only enough woolen goods for her own domestic needs. The remainder was shipped to other countries, made into cloth and then sent back to her. Finally, a "manufacture at home" movement was started and this combined with a system of apprenticeship to teach the trade gave England her start.

No domesticated sheep were found in North America by the early explorers. The wild Rocky Mountain sheep has neither been successfully domesticated nor crossed with the domestic sheep, so it is safe to assume that practically every phase of the textile industry originated outside of our own country.

The Spanish merinos were introduced into the United States during the first quarter of the nineteenth century and from these the American and Delaine merinos have been developed. This breed of sheep is the result of years of careful cross-breeding and they are known the world over for the amount and quality of wool they produce. The majority of sheep in the United States is raised on the farms and ranges of the West. Wyoming, Montana, Washington, Utah, Idaho, Oregon and California are among the leading states in the production of raw wool.

Wool calls for a careful preparation before it can be made into cloth. First, it must be sorted. Foreign wool is very popular with American textile manufacturers, not so much because of its superior quality, but because foreign wool growers are careful to send clean wool to market. How to tell at a glance the length and quality of the wool fiber and just what sort of wool is best for a particular purpose requires long training and experience. Australia and a few other countries have a system of classifying the wool before it is shipped which greatly simplifies the work of the sorter.

After the sorting and grading process the wool is thoroughly washed in a warm alkaline bath. This removes the impurities and natural grease. After the wool has been dried and the fibers straightened and again oiled by passage through a grilling machine it enters the combing machines. Here it is divided into two parts, "top" and "noil." The former is the long wool used by the worsted spinner. The noil or short wool is used for making felting, blankets, tweeds, etc. In the manufacture of the last named materials which are known as woolens, the noil or short wool is sent through a carding machine and the fibers are separated very minutely.

Spinning comes next and the long wool fibers are twisted into strands of yarn suitable for weaving purposes. The wool leaves the combs in long fleecy ropes and it is necessary to reduce this to strong thread of uniform size. This is done by gradually drawing out the uneven coil until it becomes a series of thin, smooth threads.

Wool Grades.—Wools are described under various grades, e. g., "quarter blood," and "half blood," indicating the proportion of course and fine breeds. Finer shadings of grade or quality are designated by the terms "64s," "56s," etc. Merino wool (from a fine Spanish breed) has already been mentioned.

When wool is clipped from the sheep it is called the wool clip. It is then spoken of as in the grease or unwashed. The coarser qualities of wool are used in carpet and rug manufacture.

Wool Markets.—Organized markets for wool recognize contracts only in wool tops, the long-fibered wool suitable for clothing manufacture. Trading in wool tops futures is conducted by the Wool Associates of the New York Cotton Exchange, an Exchange regulated by the Commodity Exchange Administration. Dealings in wool are also carried on in the United States under trade customs, the principal market being in Boston. Markets in England and Australia are conducted as auction sales under trade customs. Future markets in contracts for wool tops on the continent are also conducted in Belgium.

In trading in wool top futures by the Wool Associates of the New York Cotton Exchange, the wool top contract is for 5,000 pounds. The basis grade is wool top, Exchange standard, which is an average quality made of merino wools, oil combed with normal content of 3 per cent. oil produced from average 64's wools grown in the United States and shorn from live animals, cleaned, scoured, carded and combed in accordance with prevailing methods in the trade, and of average length and color. Various other wool tops, from wools grown in the United States and certain wool tops from wool grown in the Argentine, Uruguay, Australia and South Africa, are tenderable under certain conditions. Minimum fluctuation is 1/10th of one cent, or $5 per contract. Daily trading limits are 10¢ above or below previous close. Commission rate to a non-member for buying or selling one contract is $15.

The Wool Associates of the New York Cotton Exchange also provide futures trading for wool (clean content), the contract unit being 6,000 pounds, with similar minimum fluctuation of 1/10 of one cent, or $6 per contract.

WORKED OFF

A stock market expression used to denote that prices have gradually declined, but on the average, only fractionally.

WORKING CAPITAL

This term is not standardized in accounting terminology, but is usually taken to mean the net current assets, or current assets (cash, notes receivable, securities and other assets of a quick and liquid nature, accounts receivable, and inventories), less the current liabilities (notes payable, other debts payable within one year, accounts payable, and current liability reserves). This excess is also referred to as free working capital or excess quick, measuring the margin of liquid assets over quick liabilities and thus the ability of a business to meet liabilities as they mature over the ensuing year. The ratio of current assets to current liabilities,

however, is more indicative of such ability than the figure of net current assets in the absolute. Thus, the net current assets are the same whether current assets are $1,000,000 and current liabilities are $500,000, or whether current assets are $1,500,000 and current liabilities $1,000,000, but the current ratio is 2:1 in the first case and only 1 1/2:1 in the second case.

From an operating standpoint, the working capital available to a business is sometimes referred to as gross current assets, the gross in cash, cash items such as liquid securities, receivables, and working assets in inventories (raw materials, in process, and finished goods), which a business is turning over in its operations. From the standpoint of credit analysis, however, the net current assets are more indicative of the net funds available to a business for operations. (See Credit Barometrics, Current Ratio.)

WORLD BANK

See International Bank for Reconstruction and Development, International Monetary Fund.

WORN CURRENCY

When a person has a worn-out bill—whether it be a Federal Reserve note or a silver certificate, the two most common types of paper currency in circulation, or any other types of paper currency which might come into his possession--he may take it to his bank and receive in return for it a bill for circulation; or, if he wishes, obtain credit for it in his deposit account. Banks which are members of the Federal Reserve System ordinarily do not keep more currency on hand than they are likely to need for the day-to-day use of their customers. Accordingly, shipments of currency are constantly passing between member banks and their Federal Reserve banks, and notes unfit for further circulation are usually sent along with shipments of currency, which for the time being may be in excess of requirements. Such a shipment the Federal Reserve bank places to the credit of the transmitting member bank in its deposit account for use as the member bank desires. A non-member bank may also ship notes directly to the Federal Reserve bank, receiving payment by draft, or by deposit to its account in its correspondent bank, or in currency as is described below.

Currency received by the Federal Reserve banks in these ways is first counted and is then sorted according to denomination and kind, and mutilated and badly worn currency is eliminated. All Federal Reserve notes fit for circulation issued by Federal Reserve banks other than the one handling them are shipped immediately to the respective issuing banks, inasmuch as no Federal Reserve bank is permitted under the law to pay out notes of another Federal Reserve bank. Notes of other types which are fit for use are held in the vaults until needed, and all notes which are unfit for further circuation are canceled and shipped to Washington for redemption.

Currency is supplied to banks, both member and non-member, in amounts and denominations as they desire. Since much currency fit for further circulation is returned to the Federal Reserve banks, all shipments of currency cannot be made in new money, the supply of which is apportioned to the banks according to the volume of their business. A member bank draws currency from the Federal Reserve bank in just the same way that an individual draws currency from his own bank, and such withdrawals are charged to its deposit account. The bank which is not a member of the system usually pays for a shipment of currency either by check or by sending in unfit currency. At the New York Federal Reserve bank a regional supply of paper currency is kept on hand for use when needed, and a national supply of currency is available in Washington.

The volume of paper currency turnover handled each year by the Treasury and the Federal Reserve Banks reaches in the aggregate large figures. For the 1947 fiscal year, a total of $8,185 million in paper currency was redeemed, and $8,048 million new paper currency issued (the only types of paper currency being currently issued are Federal Reserve Notes, silver certificates and United States Notes). The Destruction Committee during the 1947 fiscal year supervised the incineration of 1,678 million pieces of paper currency, with a total dollar value of $6,983 million.

In carrying forward currency operations the Federal Reserve banks now do much work which the Government formerly performed through the sub-treasuries. On May 29, 1920, an Act of Congress was approved providing for the discontinuance of the sub-treasury system, which was established in 1846, and the transfer of its currency functions to the Federal Reserve banks. (See Mutilated Currency, Paper Money).

WRITE DOWN

See Write Off.

WRITE OFF

To reduce the book value of an asset in order to bring it into agreement with its present "going," estimated, appraised or market value. For example, depreciation, i. e., physical wear and tear in buildings, equipment and machinery, is charged as an expense of operation, and current depreciation is charged by reducing the value of the assets to which it applies, or by setting up a reserve. The assets so charged are said to be "written down". An uncollectible debt is "written off" by reducing its value to zero and charging the amount as a loss.

In banking practice, the examination procedure revised in June, 1938 calls for the following valuation procedure on securities held: Group I securities (those marketable obligations in which the investment characteristics are not distinctly or predominantly speculative), neither appreciation nor depreciation will be taken into account in figuring net sound capital of the bank; Group II securities (valued at average market price for 18 months next preceding examination), 50% of net depreciation will be deducted in computing net sound capital; Group III and IV securities (securities in default, and stocks), net depreciation is classified as loss. Premiums on securities purchased at a premium must be amortized. (See Comptroller's Regulation, Examination Procedure.) When the premium on a bond is written off by annual or semi-annual charges in order to bring the book value of the bond to par at maturity, the process is called Amortization (q. v.).

To "write off", "charge off", and "write down" are practically synonymous, except that the first two are customarily used when the entire value of an asset is charged as a loss, e. g., a bad debt.

WRITE UP

The opposite of writing down, i. e., bringing the book value of an asset into agreement with the market value, appraised value or estimated value when the latter are above the former.

The practice of writing up the value of assets is not favored as a conservative practice by accountants, as it might lead to abuse in "window dressing" surplus, and also leads to taxation questions, especially when depreciation is sought to be charged against the written up asset.

Under the revised examination procedure agreed on in June, 1938 by the bank supervisory authorities, neither appreciation nor depreciation in Group I securities (marketable obligations in which the investment characteristics are not distinctly or predominantly speculative--including those rated in the four highest grades by the recognized statistical services) will be taken into account in figuring the net sound capital of a bank. Group II securities are valued at average market price for 18 months next preceding examination, and 50% of their net depreciation will be deducted in computing net sound capital. Any net depreciation in Group III or IV securities will be classified as loss. Recoveries in market value of Group II, III and IV securities are usually credited by the more conservative banks to reserves rather than undivided profits. Premiums on securities purchased at premiums must be amortized. (See Comptroller's Regulation, Examination Procedure.)

YEN

The monetary unit of Japan, equivalent to 100 sen. Coinage included the silver yen, and the gold 20-, 10-, and 5-yen coins. With occupation of Japan by the Allied Powers, headed by Gen. Douglas MacArthur as Supreme Commander, following defeat in World War II, Japanese international trade and finance have been under the supervision of the Occupation authorities.

YIELD

Investment income; investment rate of return, as distinguished from a speculative or temporary rate of return; the net income from property, but particularly applied to bonds bought as investments to be held to maturity. When a bond is bought for trading purposes its income is known as current return; if held to maturity, yield.

The yield of a bond depends upon four variables, viz.: (1) price; (2) interest rate; (3) interest period; and (4) term, i. e., remaining life of the bond to maturity. The third variable may be omitted for practical purposes, since the interest on most bonds is payable semi-annually. Bonds paying interest annually are less valuable than bonds otherwise the same, paying interest semi-annually, but this difference for all practical purposes is negligible. (See Interest.)

A 5 per cent. bond purchased at par, regardless of its term, yields 5 per cent., but if purchased at a premium, its yield is less, and if at a discount, more, depending upon the term. The exact yield of a bond bought at a premium or discount can be determined by applying certain mathematical formulae, including the use of logarithms, but in practice, the yield is customarily determined by consulting bond values tables. (See Bond Value Table.) A 4 per cent. bond (interest payable semi-annually), having 20 years to run, and purchased at a premium of $35, i. e., $1,035, yields 3 3/4 per cent., but if purchased at a discount of $33.50, i. e., $966.50, yields 4 1/4 per cent.

Bid and asked quotations on Treasury Certificates or Notes as well as Bills; and State and municipal issues are quoted on a yield basis. Prices are quoted "at a price to yield ..... per cent." since, when other factors are equal, yield is the only common denominator for market prices and for comparison of investment values. (See Investment Value.)

The terms yield and return are often confused. The first is restricted in its meaning to the net income from a bond if held to maturity, whereas return denotes current income derived from either a bond or stock, without reference to a maturity. In the case of stock, the variables mentioned above are not fully known. There is no term or maturity value, nor is the income certain; therefore yield cannot be computed. The current return of a bond or stock is determined by dividing the purchase price into the annual cash interest or dividend. In the above case, where the purchase price of the bond is $1,035 and the cash interest $4 the current return is 3.865 per cent., whereas the yield is 3.75 per cent. The current return of a bond bought at a premium is higher than its yield, since no deduction need be made for the premium, which is lost when the bond matures. Conversely, the current return on a bond bought at a discount is lower than its yield, since the investment value of the bond increases as it approaches maturity.

The yield on Optional Bonds (q. v.) selling at a premium should be computed on the shortest possible time which they may be outstanding. If the optional bonds are selling at a discount, the yield should be computed upon the longest possible time they may be outstanding. (See Bond Values Table, Interest Tables.)

YIELD TO MATURITY

See Yield.

YUAN

The yuan dollar was the original monetary unit of the Chinese Republic, established in 1914. The international monetary unit of modern China is the national dollar, equivalent to 100 cents. (See Foreign Moneys--table 2.)

ZINC FUTURES

Contracts in zinc futures are traded on the Commodity Exchange, Inc., of New York City. The zinc contract calls for the delivery of 60,000 lbs. (one-half of 1% more or less) of zinc in slabs of usual commercial weights and sizes, with seller's option to deliver any one of the brands officially listed by the Exchange. Delivery is to be at seller's option at any time during the month specified in the contract from one of the warehouses licensed by the Exchange at designated delivery points. All tenderable grades of zinc are deliverable at the contract price. There are fixed premiums over the contract price on deliveries at certain designated delivery points.

The trading unit is 60,000 lbs. of zinc. Each contract unit must be made up exclusively of one of the deliverable grades and exclusively of one of the officially listed brands.

Price changes are registered in multiples of 1/100th of one cent per pound. A fluctuation of 1/100th of a cent, therefore, is equivalent to $6 on a contract, and a fluctuation of one cent is equivalent to $600 on a contract.

Trading is conducted in the current month and the eleven succeeding months.

Price quoted on the Exchange is in respect to Prime Western Zinc. The following grades are also deliverable at the contract price: Special High Grade; High Grade; Intermediate; Brass Special; and Selected.

Zinc delivered upon Exchange contracts shall: (a) be equal in quality to that specified in the American Society for Testing Materials (B6-46) for any grade therein defined for primary slab zinc; (b) be produced by distillation, or electrolysis, or electrothermic or other accepted processes for producing primary slab zinc, remelted zinc being excluded; (c) be deliverable in slabs of usual commercial sizes and of the usual standard weight as produced by each producing plant, and not more than 70 lbs. per slab; and (d) be accompanied by a smelter's certificate of assay of the producing smelter.

Delivery points are from warehouses licensed or designated by the Exchange located at the following points, with the following differentials

Delivery Point	Differential
East St. Louis, Ill.	No differential (at contract price)
St. Louis, Mo.	No differential (at contract price)
Chicago, Ill.	8/100ths of one cent per pound premium above contract price
Pittsburgh, Pa.	30/100ths of one cent per pound premium above contract price
Port of New York	30/100ths of one cent per pound premium above contract price

Commission for buying or selling per contract is $12.50 for members residing in the United States and Canada; and $25 for non-members residing in the United States and Canada. For members and non-members residing outside of the United States and Canada, a commission of $1.25 per contract is charged in addition to the above rates.

The United States both produces and consumes about one-third of the world's production and consumption of zinc. Over 40% of consumption in the United States is for galvanizing purposes.

ZLOTY

The post-World War I monetary unit of Republican Poland, established May 1, 1924 and revalued on October 13, 1927. Following the routing of Germany from Polish territory in 1945 by Russia, a Polish Government was set up under the Russian orbit which nationalized all basic industries in January, 1946.

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